INDIAN FOREIGN TRADE

1900 - 1931

AND

ITS ECONOMIC BACKGROUND.

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CHAPTER I.

INTRODUCTION.

This is an attempt to study the foreign trade of India, during the opening three decades of the 20th century. In the study of a factor like the foreign trade of a country, the time element represented by these decades, while not very long, is a respectable enough unit for study, in an endeavour to understand its nature and lines of development. Without making undue claims for the period, it can readily be conceded that the first period of the 20th century is a very crowded one. In a very special way it is packed with events and developments, kaleidoscopic in variety, amazing in their striking contrasts, and momentous both in themselves and in their effects. It has keyed up the sense of mystery to the point of making - especially after the War - 'the next ten years' a favourite theme of speculation for historians and philosophers.

There is no denying the fact, that much of the impulse to the astounding developments that the period witnessed was provided and inspired by nationalism and national feeling. The generation witnessed, as no other before it, marvellous developments in the means of communication and transport. Railways were perfected and railway mileage increased enormously. The motor car came into its own, and established itself as an integral factor in the service of transportation. After the Great/

Great War there was remarkable progress in flying. As a result of all these developments, the world has shrunk and distance has been all but annihilated.

There was a striking growth of population especially in Europe in the earlier part of the period and it was related both as cause and effect, to the equally striking development in the production of wealth. In the Pre-War period, while there was an extension of both primary and secondary industries, technological progress was in the main confined to secondary industries and expressed itself in an improvement in the rate of output. In the post-war period technological progress necessitated and accentuated by the war, came to be applied under the circumstances of the post-war situation to both primary and secondary industries with quite remarkable effects on the rate of output of wealth.

This period, which witnessed such remarkable developments in the technique of production, output of wealth and in the means of communication and transport, witnessed as an interesting psychological reaction a marked orientation of the ideas and ideals governing international commercial policy. It can safely be said that the period saw the complete rout of the ideal of free trade, and the ideal of national self sufficiency came to be, in so far as practicable, increasingly accepted as the national economic ideal. Towards the close of the last century William/

William Smart wrote of the "return to protection". In the pre-War period, that movement, was no more than a sporadic unco-ordinated grant of protection to home industries adversely affected by foreign imports. In the post-War period there was a distinct change. The larger and heavier economic responsibilities of the state to its Nationals, brought to the forefront the need for a scientific approach to economic problems and much was heard of 'economic planning'. The tariff came to be studied more closely and used more freely as the basis of an endeavour to secure a co-ordinated and scientific scheme of protection. Very much need not be said at this stage by way of explanation about this change but the following two quotations from different points of view hint at the possible explanation of the change.

In the Halley Stewart lectures of 1931 Sir Basil Blackett said "Fatal to human progress as are the high tariff walls today, it has long been obvious that the philosophy of laissez-faire has no answer to a reasoned demand for wider opportunities of a balanced economic life for large new communities over seas, and for highly self-conscious national groups in old Europe" (The World Economic Crisis p.95). Grunzel in 'Economic Protectionism' diagnosed the reasons for the development in the following terms. "There cannot be a world economy or international economy/

economy because a world will which would rank above national wills and in which they would find expression does not exist and international relations are not regulated in accordance with an ideal of the human race but according to the wills of the nations concerned ..... We have not an international economic policy. We have only an economic foreign policy which is part of the National economic policy". (Economic Protectionism p. 3-4)

It has been claimed for the period that it provides some spectacular contrasts. Responsibility for this can in part be attributed to the record of money and monetary development. The first fourteen years of the period under review saw the international gold standard functioning smoothly. "One of the great justifications of the international gold standard was precisely that it was an international standard. So long as it existed international trade and finance, the two great links of the world economic order,had found the monetary vehicle which most closely corresponded to their necessities" (T.E. Gregory - "The Gold Standard and Its Future" p.78) The outbreak of the War in 1914 brought the career of the international gold standard to an abrupt end. With the end of War time control after peace was signed, the demoralisation of currencies was seen in all their grim/

grim realism ,when unparalleled inflation and fluctuation of the exchanges occurred. The Genoa Conference in 1922 sounded the call for the return to the gold standard and in the course of the years that immediately followed many countries incontinently returned to the gold fold only to find themselves very uncomfortable in that habitat. The increasing discomfort led to the stampede from the gold standard in 1931. The MacMillan Committee in Great Britain summed up the position in its Report in the following words. "The economic difficulties of the post-war decade are primarily due not to any wanton misbehaviour on the part of the monetary factors themselves but to unusually large and rapid changes on the part of what are rightly described as non monetary phenomena, these non-monetary factors again themselves producing monetary changes" (Cmd 38979, 1931, para 208-9.)

During the post-war period there was a great deal of exchange instability and in this respect the contrast between the pre-war and post-war periods of the 20th Century is striking. It is correct to say, that in the pre-war period stability of the internal price level was sacrificed to secure stability of the exchanges. The changed conditions of the post-war period made the stability of the internal price level more practicable and a sacrifice of it fraught with more danger. Thus ~~thx~~ stability of the exchanges was in a way left to take care of itself.

At/

At all times, for the generality of countries, internal trade is more important than foreign trade and it became more so in the post-war period when the ideal of National Self-Sufficiency became increasingly popular and led to a prolific crop of tariffs and in the light of this development the change in the attitude to stability of the exchanges and of the internal price level is quite intelligible.

It may be safely said that Indian economic history reflected all these trends of development. The development of the means of transport and communication in India even if not so remarkable or spectacular, as, for example, took place in Europe or America, was in terms of its own needs and life, quite a striking development. There was also an increase in the production of wealth though, here, once again, it did not come up to anything like that which took place in Europe and America because technological advance was, if anything, in its infancy and a rationalisation movement had not come into being. In certain factors affecting foreign trade which is the subject of this study, there were significant changes faithfully reflecting world developments in this matter. Among these may be mentioned (1) changes in commercial policy. From this standpoint the 30 years of the 20th Century get sharply divided into two periods by the war coming in between. The pre-war/

pre-war period was a free trade period with a limited number of import revenue tariffs 'the lowest in the world'. The post-war period was entirely different. It was from its start one of soaring revenue tariffs with the free list considerably reduced. After 1924 there was a crop of protective duties following the change over from free trade to 'discriminating protection'. As in the rest of the world these tariffs in a world of falling prices were revised periodically and the phenomenon of specific duties gaining in popularity at the expense of ad valorem rates, was faithfully reflected.

(2) Changes pertaining to Money.

The gold standard was substituted in place of the silver standard in 1900. The main argument for the change was that 80% of Indian's trade was with gold standard countries and as a borrower, it would materially assist her to become one of the 'gold' group. The Currency Commission that recommended this, suggested the gold specie standard, retaining the rupee in circulation. What eventually emerged was the gold-exchange standard. The change had a significance, because a gold exchange standard of any kind is less automatic and foolproof than the straightforward gold standard. The Rupee being an integral factor in the internal circulation, was given an exchange value of 16d in sterling and throughout the fourteen years from 1900 to 1914/

1914 was maintained at that. In the post-war period the exchange value of the rupee reflected the exchange instability of all world currencies. When eventually stability was attained the rupee unlike all other currencies emerged with a higher exchange value of 18d at which it was maintained during the rest of the period.

Such briefly are the lines of world development during the last 30 years. Being of importance for a study of foreign trade it is more or less the background of the study of Indian foreign trade.

CHAPTER II.

As this is a study of the foreign trade of India during thirty years of the 20th Century, it would help to preface it with a brief survey of the course of Foreign trade generally up to that time and the ideas that helped to determine that course.

The modern period saw the emergence of a world composed of nation states. The economic implications of nationalism of the kind that thus emerged, were stated by Bastable in his book on International trade. According to him, within a country there may be expected to be a far greater degree of the mobility of the factors of production, labour and capital, than that which exists between a country and the rest of the world. Now, Bastable wrote thus, at a time when the opportunities for emigration and the foreign field for the investment of capital were large compared to what they have been since his day, for since his time the field for both, it will be generally agreed, has been considerably narrowed. The conclusion that seems fairly obvious from a position like this is that in a world composed of nation states the people of every country have in the main to look to their country and their country alone for work and wages - their livelihood. This is the economic problem of every country. Two factors that have gone to give the people of every country a heightened awareness of the importance of the problem/

problem and a desire to solve it in the soundest and speediest manner possible are (1) the growth of population and (2) the fact that political and economic interests largely overlap and to a certain extent are inextricably intertwined. A sound political life and system can only be reared on a sound economic basis of national life and very often political instability, weakness or disorder in States is traceable to economic unsoundness at the root of it.

If then the people of a country have mainly to earn their livelihood in their own country and a sound solution of the national economic problem was an all important and imperative necessity to the wellbeing of the people, it followed that the way to try to achieve that end was to create conditions in the State whereby avenues of profitable employment of labour and capital could be increased and diversified and the output of national wealth increased. The ideal of national self-sufficiency thus got slowly crystallised as the national economic ideal. A word of explanation is necessary here while referring to the Ideal of National Self Sufficiency. It has been said that from the economic point of view progress up to a point lies in the multiplication of wants. Economic progress in the modern period has in a decisive manner contributed to the multiplication of wants. Human wants then/

then,being unlimited in number,and tending to become habits the number of commodities used by individuals has tended to increase. Under these circumstances no country in the world can be or even aim at being self sufficient. The national ideal of self sufficiency aims at making the country provide itself with as many of the things it wants, and the economic limitations of it leave it with certain commodities that its people need which it cannot produce at all,and others,which it cannot produce as an economic proposition. The injury or hurt to the economic wellbeing of the people that would result from being deprived of these commodities,leads to the obtaining of these by importation from foreign sources and they are paid for with the specialities of the importing country. It must be said that essentially the typical nation states of the modern world are,as the result of a strong urge made up of many factors, dynamic and progressive, appropriating progress and the advance in every department of life to strengthen their self-sufficiency and their national life.

Under the circumstances outlined above it is not difficult to see where exactly foreign trade comes into the national economy and what is its place. For the generality of such countries the internal production of wealth and exchange are far more important than the foreign trade and these two in relation to national well-being stand as complement and supplement respectively.

Writing of the future of International trade T.E. Gregory in his book "Gold Unemployment and Capitalism" envisages a future in which with a growing greater degree of self sufficiency there will be a relative decline of international trade. The factors contributing to this change according to him are:-

(1) the increasing importance of services and other sheltered occupations which cannot be imported.

(2) the slackening of population growth and therefore of the rate of increase in the demand for the crude foodstuffs and raw materials which formed so striking an element in the international trade of the last century.

(3) technological changes in agriculture of a very far reaching kind.

(4) the march of scientific discovery in other fields.

Summing these up he writes "If these tendencies work themselves out uninterruptedly the international trade of the world may come to possess a significance other than that to which we are accustomed. Climatic conditions will always ensure that inter-regional trade will remain of great importance and the growth of wealth may add to that importance .... The problem today is no longer the high cost of carriage but the increasing degree to which science is making the whole world/

world independent of local circumstances in the produc-tion of necessaries coupled with an increasing determina-tion on the part of the agricultural peoples to emancipate themselves from the dominance of the advanced industrial-ised races". pages 201-204.

The rest of this chapter is devoted to a brief historical survey to provide the verification of the main lines of development outlined above. The start is with the birth and progress of the Industrial Revolu-tion. "England was in 1700 a prosperous agricultural island with a considerable woollen industry but no other manufactures of any importance". (L.C.M. Knowles. "Industrial and Commercial Revolutions" p.4.) Then came the industrial revolution. The causes of the industrial revolution have been set down as the following:-

"(1) the growth of population

(2) the accumulation of capital by means of trade for Great Britain was an important commercial and manu-facturing country for at least a century before the industrial revolution.

(3) the existence of overseas markets which were almost unlimited provided an atmosphere in which the inventions had a more far reaching importance than the inventors themselves could possibly have imagined".

The Industrial Revolution began about the middle of the 18th/

18th Century in England and transformed her from an agricultural into an industrial country with an extensive foreign trade in manufactured goods. Her five great groups of exports consisted of cotton and woollen goods, coal, iron and steel and machinery. The features then to be taken note of are (1) the great increase of production (2) the specialisation of production to which she got committed. She became a producer and exporter of manufactured goods and increasingly an importer of raw material and food products. Trade thus became vital to her prosperity, her exports rose from 24.9 million £ in 1801 to 175.4 million £ in 1850 (Table V p.57 British Trade and Industry - G.D.H. Cole). The markets for Britain's exports at this time were Europe, America and India. Committed to trade and depending entirely on it for her prosperity, it is not surprising that there appeared in the course of the 19th Century the Free Trade Movement.

Meantime the industrial revolution passed on from England to France and Belgium in the early decades of the 19th Century, to Germany later and towards the close of the century to the United States of America. "Within the short space of a generation it transformed the sleepy mediaeval Germany of the fifties into one of the most industrialised countries of the world". (Dawson - 'The Evolution of Modern Germany'.) Of the progress/

progress of the industrial revolution in the United States Peel in his book "the Economic Impact of America" says "even in 1860 the United States of America had started in the industrial race. They were already estimated to be at that date fourth among the nations of the world in the total volume of their industrial output. By the year 1894 they had attained the first place in the world. Thereafter they were unquestionably the leading manufacturing nation of the world. They were producing £400,000,000 worth of manufactures in 1860. By 1914 they were producing £5000,000,000 worth of goods a year". (p.109).

The reaction of all this on commercial policy is logically the next thing to consider. It has been seen already that with Great Britain committed to industrial specialisation and large-scale production, the abounding prosperity it brought her led to the birth of the Free Trade Movement. The Corn Laws were repealed in 1846 by Peel and the structure of Free Trade was completed by Gladstone's budget of 1860. "The typical British manufacturer of the Industrial revolution was a strong free trader both for Great Britain and for other countries for to persuade a foreign country to adopt free trade usually meant making him a present of its home market" (p. 55 G.D.H. Cole - British Trade and Industry past and future).

The/

The increasing production of wealth, the great improvement in the means of communication and the stimulating effect of the new gold supply caused a great expansion of British trade. British exports rose from £3 :10/- per head of the population in 1854 to £8 in 1872 and imports rose from £5: 10/- to £11 (Cole, p.72) This served to commend Free Trade to the rest of Europe. The Free Trade ideal seemed to be gaining ground and a great growth of inter-European trade followed the liberalisation of commercial treaties. The 'great depression' of the last quarter of the 19th Century however changed the face of things. The return to Protection began under the discouraging conditions of the fall in prices. France increased her duties in 1892. The United States of America adopted the high McKinley tariff in 1890 and the Dingley tariff of 1897 definitely consolidated the era of high protection. The German tariff, fairly low from 1890 to 1902, rose sharply on manufactures and food stuffs.

As an explanation of this development it may be said that "trade produces relations among economic communities analogous, in one respect, to those among electric charges. Like repels like, and unlike attracts unlike. Two countries with closely similar economic conditions become trade rivals; with dissimilar economic conditions they would be one .... the imperialist expansion in which/

which mercantilism expresses itself merely gives political form to these economic attractions and repulsions". (R.G. Hawtrey - The Economic Problem, p.257.)

Great Britain reacted to this 'defection of her erstwhile export markets by turning to her empire for what these countries denied her. Hence "the characteristic change in British commercial policy after 1895 is a reaction from world economics to imperial economics", p.357 (L.C.M. Knowles: Industrial & Commercial revolutions)

She expected to call in a "new" world to redress the balance of the "old". What happened may be taken account of briefly. In starting to deal with her overseas possessions Great Britain's mental background was largely coloured by the old mercantilist tradition. L.C.M. Knowles in her economic development of the overseas empire (p. 53, 54 Vol.II) thus describes the old Colonial system:-

(a) The Colonies had to import English commodities being encouraged thereto by prohibition or heavy duties on foreign commodities.

(b) The Colonies had to refrain from certain manufactures which conflicted with the interests of English manufacturers especially in iron and wool and hats.

(c) The colonies had to export their products to England so that England would have first claim on them and would also be the great entrepot in International trade for such things as tobacco and dye woods.

(d)/

(d) The Colonies had to use English and Colonial shipping in the import and export trade. Knowles further states that "to enforce the system it was essential that all vital power should be in the hands of the Mother country". And to that end "every Act of the legislature of a colony concerning Customs duties had in it the statement that it was effective only in so far as it did not contravene any Act passed by Parliament at Westminster".

The loss of the American colony led to a liberalising of the British attitude to her colonies. Thus the new regions peopled by the English race had by 1870 got self government or were on the road to it. It is obvious that as self governing dominions they would almost inevitably claim the right to decide their own commercial policy and would not be put off. Great Britain, having accepted the laissez faire policy of Free Trade, wanted the colonies also to adopt it, but the colonies facing their own economic problem, wanted to rear their own industries under what they considered the help of a protective tariff. How Great Britain had to recognise the claim and allow these colonies to go their own way is revealed by the following outstanding incident of British Colonial history. In 1859 Sir A.T. Galt, Minister of Finance, raised the existing Cayley tariff in Canada from 15% general and 20% special to 20% and 25% respectively. Upon this the Chambers of Commerce and manufacturers of/

of Sheffield memorialised the Colonial Office on "the injury anticipated to their commerce by the increased duties". Taking up their case,the Duke of Newcastle from the Colonial Office wrote objecting to the tariff on the ground "that it would adversely affect the exchequer of the colony and encourage smuggling".
He went on to say "I much fear the effect of the law will be that the greater part of the new duty will be paid to the Canadian producer by the colonial consumer whose interests it seems to me have not been sufficiently considered on this occasion". Continuing he said "whenever the authenticated Act of the Canadian parliament on this subject arrives I may probably feel that I can take no other course than signify to you the Queen's assent to it, notwithstanding the objections raised against the law in this country".
Galt's reply,which has become historic,was dignified and clear. "The government of Canada acting for its legislature and people cannot through those feelings of deference which they owe to imperial authorities, in any manner waive or diminish the right of the people of Canada to decide for themselves both as to the mode and extent to which taxation should be imposed ...... Self government would be utterly annihilated if the views of the imperial government were to be preferred to those of the people of Canada" (Source:- British Colonial/

Colonial policy, Select documents, Bell & Morrell, p.368, 369.)

Thus the self governing dominions gained the right to determine the commercial policy best suited to their interests untrammelled by the Mother country. All of them set up protective tariffs. To Great Britain with her industrial specialisation and her vital need of trade, the situation that confronted her at the end of the 19th Century is realised from the following table of "Estimated ad valorem equivalent of the import duties levied by the undermentioned foreign countries and British possessions on the principal manufactures exported from the United Kingdom.

Foreign Tariffs

Russia	131%
Spain	76%
U.S.A.	71
Austria Hungary	35
France	34
Argentine republic	28
Italy	27
Germany	25
Sweden	23
Greece	19
Denmark	18
Roumania	14
Norway	12
Japan	9
Turkey	8
Switzerland	7
China	5
Holland	3

Colonial Tariffs.

Canada (Preferential tariff)	17%
New Zealand " "	9%
Australia	6%
South Africa (Preferential)	6%
India	3%

Source:- Second enquiry blue book (page 292) 1903-4 quoted from "the Empire and the Century", p.117.

In the light of this, the shift of the trade in exports of British manufactures during the last quarter of the 19th Century revealed by the following table is unmistakeable.

Exports of British Manufacture only shown at intervals of decades from 1870 to 1904.

	To principal protected countries.	To Neutral countries.	Total to foreign countries	To British Possessions.	General Total.
1870	80.7 million £	55.5	136.2	44.9	181.1
1880	81.9 " "	47.4	129.3	67.6	196.9
1890	87.2 " "	60.3	147.5	78.3	225.8
1900	80.3 " "	58.8	139.1	81.1	220.3
1904	72.1 " "	70.0	142.1	97.2	239.3

(Source: Enquiry Blue Book and Annual Statement of Trade 1904 quoted from Empire and the Century p.115)

During the period Exports of British Manufactures increased by 58.2 million £ and British possessions accounted for 52.3 million £ of the increase.

This explains the frantic search during the period for new markets, and in the last 30 years of the 19th Century the British Empire grew by 4,754,000 square miles with an estimated population of 88,000,000 and at the outbreak of the War the British Empire had an area of 11,273,000 square miles and a population of 417,000,000 of whom 315,000,000 were in India. In a world that was becoming increasingly protectionist the value of the Indian market with a population of 315,000,000 to Britain could not be exaggerated. It remains to survey the economic policy pursued by Britain in India as an essential preliminary to the study of the foreign trade of India, for the foreign trade of a country is not an isolated thing and does not hang in the air but is definitely the product of policies and tariffs. This will be considered in the next chapter.

CHAPTER III

SECTION 1. ECONOMIC CONDITIONS IN INDIA IN THE EARLY 19TH CENTURY.

The study of Indian foreign trade in the modern period reveals the fact that India was more traded with than trading. The desire for trade brought the Portuguese, the Dutch, the French and the British to India. The connection of the first three nations with India was ephemeral. It was quite different with the British. They began with trade and set up British dominion over India. The setting up of British Dominion over India was a movement that spread itself over a century practically from the middle of the 18th to the middle of the 19th centuries. Parallel, and synchronising in time with it, was the march and progress of the Industrial Revolution in England. The Industrial Revolution started in England the movement, which during the latter 18th and earlier 19th Centuries converted it from a predominantly agricultural into a predominantly industrial country. Her main industries then were cotton and woollen textile manufactures, iron and steel, machinery and coal. It is also well to bear in mind that the period was one of a great growth of population in Great Britain. The implication of this position is that in the matter of the production of wealth Great Britain embarked on a career of specialisation and came to rely on the creation of a geographical division of labour in the world at large, or at least as much of it as would be amenable to such a scheme, in which she would be the supplier of manufactured goods and be able to/

to draw on the rest of the world for the vital food supplies and raw material that she would need for the feeding of the population and the carrying on of her industries. The fact that one after the other, the leading trading countries of the world at the time refused to fall in line with Great Britain's scheme of a world division of labour and resolved to go their own way, gives an added interest to the study of the economic history of India during the 19th Century.

India is, and has always been pre-eminently an agricultural country. This is trite enough, but the picture might be filled in, by enlarging on the details of the Indian agricultural economy. These are, that India is an old country and its productivity in terms of agriculture is not to be thought of in terms of the virgin soils of the new countries of the world. Then again, being an old country, the growth of population and the growing density of population are definite factors to be reckoned with. India depends on the monsoon for water supply for her agriculture, and this dependence has made inherent an element of instability in her economic life. Being an old country, time should have made the people acutely conscious of this fact and revealed to them by repeated disappointments that they were putting all their eggs in one basket in depending solely on agriculture. Besides, in a tropical climate the agriculturist has plenty/

plenty of time on his hands while nature is at work in the fields and this may normally be expected to make him learn to call to his aid by-industries to occupy his time and supplement his income. The fact that the country was the centre of a vigorous and flourishing civilization warrants the conclusion that the creative instinct of the people must have expressed itself in craftsmanship embodied in the products of the handicrafts.

To come now to the features of the Indian economic situation at the beginning of the 19th century. The unit of rural life in India was the village and absence of the means of communication made it self-sufficient, the needs of the village being supplied by the agriculturists and the village artisans. Another element in the economic life of the country was the urban industry. "The urban industry of India, at the beginning of the 19th century was mainly in the nature of handicrafts producing fine textiles or other luxury products for the aristocracy" (p. 32 D.R. Gadgil - Industrial Evolution of India). Of these handicrafts the chief were the cotton, silk, and woollen textile products which commanded wide foreign markets, for of them it was said that before the 19th century India was chiefly famous "for exporting its elegant fabrics to the more civilized nations of the world" (Dr. Forbes Royle - Culture and Commerce of India - 1851 p.20.) After these, in importance came the handicrafts/

handicrafts working in brass, copper and bell-metal and besides these were the handicrafts such as enamelling and damascening. The number of such handicrafts in the cities of India was large. In the bigger cities each craft was organised into guilds which looked to the welfare of the members and the quality of the product. (D.R. Gadgil - The Industrial Evolution of India, p.33).

At the eve of the Industrial Revolution in England it may be said that India, industrially, was not behind the other countries of the world of the time. The extent of her trade in the products of her industries bears witness to the quality and appreciation of her industrial products.

SECTION 2. THE BRITISH CONNECTION AND ITS EFFECTS ON THE ECONOMIC SITUATION IN INDIA.

In attempting to take stock of the main features of Indian economic evolution in the 19th century note has to be taken of three very important landmarks. These are (1) the setting up of British Dominion over India. This movement occupied more than a century, and began in 1765 when Clive accepted the Diwani of Bengal, Behar and Orissa. By the beginning of the 19th century the East India Company, and through it the British power, had become the most important territorial power in India and/

and one effect of it was the setting up then of its judicial and administrative system over the country. (2) In 1813 the East India Company's monopoly of British trade with India was ended and the trade was thrown open to British enterprise. This was brought about by many factors. One of these was that the Company's trade of importing into England the textile products of India and the competition engendered thereby and the feeling that the Company's trade was not helping British manufacturers to find new markets or supplying them with the much needed raw material led to a certain amount of discontent that became very vocal every time the Charter had to be renewed. When the time came for the Charter to be renewed in 1813 the country was in the throes of the Napoleonic War, and its trade was greatly hindered and adversely affected by the Napoleonic decrees. The position and the result are summed up by H.H. Wilson in his history of India, Vol.1, p. 516 thus:- "The exigencies of the commerce of Great Britain probably weighed more with the Ministers than the arguments and assertions of either party. Excluded from the Continent by the decrees of Napoleon, the merchants and manufacturers were labouring under alarming difficulties; the country was menaced by severe distress unless some new vent for the issue of its industrial products could be discovered, some new hopes could be held/

held out to animate the drooping energies of manufacture and trade. To this great necessity the interests of a single corporation was bound to yield". Thus came to an end the East India Company's trade monopoly but it was still a very big factor in British trade with India. What the ending of this monopoly and the throwing open of the trade to British private enterprise meant was summed up by C.J. Hamilton in "Trade Relations Between England and India" thus "the Company had confined itself in the main to the old methods and the old branches of commerce but private traders brought a special commercial ability and a new enterprise to bear, with the result that they opened up markets in India for an increased variety of British commodities and at the same time began to export from India many articles which had never formed part of the company's trade" (p. 206).

The third of the land marks was the Industrial Revolution in England and its effects on the English economy. Bearing in mind the prevailing ideas of the time as to the economic relations of a country and its overseas possessions it can be inferred that the opening decades of the 19th century saw British commercial enterprise getting ready to push British manufactured goods into Indian markets and export from India the raw material and foodstuffs needed by their country. In the nature of conditions in India at the time the start was a very slow one. The lack of internal means of communication stood/

stood in the way of rural India feeling the impact of these new forces during the first half of the 19th century. It was very different with the urban industry of India. Right from the beginning of the 19th century Indian handicrafts began to feel themselves handicapped in various ways. Certainly they were seriously affected by the customs and inland duties set up in India under the orders of the court of directors of the East India Company. The salient features of the important despatch of the 29th July 1814 were:- (1) to allow free entry to certain manufactures from Great Britain carried in British registered or Indian-built ships; (2) To reduce the import duty on other articles from Great Britain shipped in the same way; (3) Having paid the import duty at one port, the articles to be exempt from any further duty in their coastwise movements from port to port; (4) Double duty to be charged on foreign goods; (5) Full refund of all duties to be allowed to Indigo, cotton, and hemp only if exported to the United Kingdom and on all other articles of export a draw back was to be allowed so as to have the duty not exceeding 2½%; (6) The double duty principle applied with reference to shipping was to be continued; (7) Positive injunctions to keep the inland duties regulations as they were in force; (8) No higher export or import duties to be levied at Bombay and Madras than those at Bengal. The Bengal rates to be considered maximum. They may have lower rates. (N.J. Shah - History of Indian Tariffs, p.49.) According to these regulations, some/

some favoured British manufactures could enter India duty free and others paid no more than $2\frac{1}{2}\%$. Products of foreign countries entering India if brought by British ships paid 5% and if by foreign ships 10%. As regards exports from India, those exports expressly needed by British Industries, such as cotton, hemp and indigo paid no export duty. All other exports to the United Kingdom paid $2\frac{1}{2}\%$. The mercantilist impress of the regulations as a whole is patent and reflects the prevailing vogue of thought as to the relations of a country and its oversea possessions. Indian industries, an integral factor in Indian economic life were ruinously handicapped by the inland duties. "A 5% duty was imposed upon raw cotton brought from one district to another. If after it had been manufactured into yarn it was then transported a further $2\frac{1}{2}\%$ was levied. When it was carried from the place where it was converted into cloth a further $2\frac{1}{2}\%$ became due. If the cloth was then dyed it would again pay another $2\frac{1}{2}\%$ and thus the native manufacturer before placing the finished goods on the market might have had to pay a total of 17.5%. Similarly in the case of leather ..... no better method could have been devised for stifling the natural growth of industries and commerce". (P.P. Pillai, Economic Conditions in India p. 21).

Against/

Against the background of the import duties levied on British manufactures entering India and the inland duties on the products of Indian industries it is interesting to set the duties that at that time were levied on Indian manufactures entering England. For example the duties levied in 1813 on Indian goods entering England were as follows:-

Calicoes for every £100 value . . .	£81.	2.	11.
Cotton raw per 100 lbs. . . .	£ 0.	16.	11.
Cotton manufactured	£81.	2.	11.
Hair or goats' wool manufactures . .	£84.	6.	3.
Flowered or stitched muslins or white calicoes £100	£32.	9.	2.
Other manufactures of cotton not otherwise charged	£32.	9.	2.

(Digby - 'Prosperous British India' p. 90).

H.H. Wilson in his history of India, Vol.II, p. 559, summed up the situation created thus "the customs had somewhat declined but this arose from a measure adopted shortly after the renewal of the Charter by which, in consequence of orders from home, the duties were generally lowered and a variety of articles - the produce or manufactures of Great Britain - wholly exempted from any charge upon their being imported into India. As similar immunities were not granted to the manufactures or products of India in the ports of the United Kingdom, this was a piece of selfish legislation/

legislation in which the interests of the dominant country were alone consulted and those of the subordinate dependency deliberately injured, the latter being not only deprived of a legitimate source of revenue but being exposed to an unequal competition under which native industry was rapidly decaying". Indian industries seriously suffered from these measures aimed at them, and in 1823 the Court of Directors of the East India Company reduced the inland duty on piece goods from 7½% to 2½% equalising the duties on home manufactures and British imports and at this time Indian piece goods exports still paid an export duty varying from 2½% to 7½% according to British or foreign ships and destinations. (N.J. Shah - History of Indian Tariffs p. 119 - p. 120)

By 1830 Indian industries were seriously on the decline and the industrial depression in India was severe. British manufactures had established themselves in Indian markets. "In the course of this short period of 20 years (1813-1833) cotton piece goods which had been the great export staple of India from the earliest times had been almost entirely superseded in the market of the world by the produce of our own looms and now they seem to be on the point of sinking before the unequal competition even in the market of their own country". (N.J. Shah History of Indian Tariffs p.119). A new problem presented itself. The decline of the export of Indian manufactures has/

has been explained. Exports of Indian raw produce also declined because of the discriminating duties set up in accordance with the Navigation Acts, goods to foreign ports and in foreign ships being charged higher rates. It is India's exports that pay for her imports and foreign obligations and the decline in exports contained the threat of diminishing British imports. The matter was immediately referred to a Select Committee in 1830 and their findings are interesting in that not a word was said in it about reviving or encouraging Indian industries. The Committee observed - "the chief manufactures of India having been supplanted to a great extent by the manufactures of England not only in the market of this country but in that of India itself, it has become an object of the deepest interest to improve the production of soil". (P.P.* 646 H. of C. 1830 p.4) The outcome of their finding was (1) the grant to Europeans of the right, till then prohibited to them, to hold land in India. With the grant to Europeans of the right to hold land in India after 1833 begins the period of plantations in India. Tea planting began about 1835 though the actual foundations of the present tea industry were laid between 1856 - 1859; coffee planting began about 1840 and became a thriving business by 1860. The attempt to increase the agricultural produce of India found itself seriously handicapped by the lack of internal means of communication and that brings us to the attempts to open up the country/

* P.P. = Parliamentary Papers.

country by means of roads and railways. The opening up of the country began rapidly after 1850. Lord Dalhousie in his famous Minute of 1853 (W.W. Hunter - Marquis of Dalhousie pp.193-4) made clear the possibilities of railway development in increased trade whereby the markets for Britain's manufactures in India could be increased and British industries could get all the raw produce they needed. He referred also to the wide field that Indian railways would offer for the investment of British capital. The rising of 1857 impressed upon the rulers of India the military necessity of railways and road ways and the Lancashire cotton famine that ensued in 1861 consequent on the outbreak of the American Civil War led to brisk activity on the part of Government in building roads to open up the cotton tracts and connect them with the ports.

The opening up of the country by railways and roads saw the beginning of the end of the economic isolation of the Indian village. This was revealed when following the outbreak of the American Civil War and the closing of the ports of the south,the price of cotton in India began to rise. In 1869 the Suez Canal was opened for traffic. The shortening of the route to the west by about 4,000 miles and the supersession of the sailing boat by the large steam ship led in time to a fall in freights and Indian raw produce came to have much easier access to the world markets and Indian agriculture came to be influenced by it. The latter half of the 19th century was/

was a period of expanding industrial activity in the west and the demand for raw produce for food and industries began to show particular strength. Another important factor was that a money economy was slowly but surely establishing itself in Indian economic life. To cater to the world's demand there came the new discoveries of the money metal in Australia and California. The combined effect was a rise in agricultural prices. The effects of this on Indian agriculture may be set down as making for (a) an extension of agriculture and (b) a specialization of crops. The old self-sufficing economy of the Indian village did not have the stimulus to bring under the plough all its available land or to put it economically to the best use. The link with world markets brought in a new demand reflected by rising prices and thus followed an extension of the area under agriculture. There also emerges the distinction of food crops and money crops. Food grains being a vital need of the country could never be ousted from agriculture and they maintained their position in the agriculture of the country but there was a definite increase in the cultivation of the agricultural non-food crops. The incentive of rising prices led to land being put to the crops they can grow best and thus there resulted a specialisation of crops as for example tea on the Uplands, jute in Bengal, and cotton in Berar. (p.8 Report of the Indian Industrial Commission Cmd 51 of 1919)

It has been made clear so far that the outstanding factor dominating and determining the course of economic evolution in India in the 19th century was British dominion over India, which tended to express itself so far as the economic life of the country was concerned in terms of the attitude of mercantile imperialism towards colonies. The chief event that determined the shape and course of the economic policy pursued by Britain in India in the first half of the 19th century was the Industrial Revolution and its effect in making Great Britain in the main a country specialising in certain select manufactures. The movement that in the second half of the 19th century shaped British economic policy in India was the progress of the free trade movement in Great Britain.

After the rising of 1857,British dominion in India which till then was administered by the East India Company passed over directly into the hands of the British Government and began to be ruled by a Governor General responsible through the Secretary of State for India to Parliament.

THE INDUSTRIAL DEVELOPMENT OF INDIA.

The industrial development in the country up to that time may here be taken account of as a good deal of the history of the latter half of the 19th century revolves round their rise and progress. The first cotton mill was started in Bombay in 1854. The progress of this infant industry was held up from 1861 by the high price of cotton ruling in the country in the years following the Lancashire cotton famine and the consequent huge export of cotton from India. Exports of cotton rose from 509,695 bales in 1859 to 1,266,513 bales in 1865.[I] After 1874 the industry developed rapidly and the growth of the industry was entirely due to the advantages it had in raw material and labour and the big potential home market it had for its products. By the year 1879 there were 56 mills in India having 1,453,000 spindles and 13,000 looms and employing 43,000 labourers. By 1894 these had grown to 144 mills with 3,711,669 spindles, 34,161 looms and employed 139,578 labourers. (D.R.Gadgil: Industrial Evolution of India pp.55 & 74)

Till about 1830 the weaving of jute cloth was done by the Bengal hand-loom weaver. After this date the Dundee jute manufacturing industry began and the Indian hand loom industry declined. Jute mills were started in Bengal after 1854 and the industry developed very rapidly having the undoubted advantages of favourable situation and a monopoly of the supply of the raw material/

I. G. Watt - Dictionary of Economic products of India, Cotton.

material. By the year 1894 there were in India 29 jute mills employing 75,157 persons and the number of looms and spindles were respectively 10,048 and 201,217. (Ibid p. 77)

The feature of interest in Indian economic history after 1860 was the financial situation of the Indian Government. The impoverishment of the country consequent on the upsetting of the balance of economic life following the decline of Indian handicrafts and the enormously swollen expenditure caused by the rising of 1857 led to a situation which became very difficult. James Wilson the first finance member of the Government of India reviewing the financial situation of the Indian Government from 1854 summed it up in his financial statement by saying that "the normal state of Indian finances may be said to be deficiency of income and addition to debt" (p.p. 339 H.C. 1860, p.79 - First Financial Statement). In view of the growing foreign trade of the country he looked to a revision of the customs duties for additional revenue. Accordingly Act VII of 1859 was passed consisting of the following items: I. The abolition of the system of differential duties. This was a corollary to the abolition of the Navigation Acts which took place between 1854-1859. II. A general import duty of 10% ad valorem cotton twist being subject to 5% only as a concession rate to the hand loom weavers/

weavers who were in a sorry plight at the time as a result of the competition of imported cotton piece goods. III. Luxuries to be subjected to 20% ad valorem duty. IV. A general export duty of 3%. V. With the exception of grain, no increase in the export duties. VI. A very limited number of articles of export and import constituted free lists. (P.P. 81, Session II H.C.1859,pp.17-18)

The tariff that Wilson set up in 1859 tried to do what had to be done and that was to combine the interests of British industries, commerce and shipping with his special responsibility of nursing Indian finances back to health. Yet an export duty is defensible only when the exporting country has a monopoly of the supply of the commodity and there is a strong world demand for it and no danger of substitutes being found for it elsewhere. Not all of India's exports fell within that class. With the rising tide of the import trade and India's position as a debtor country it was essential that the export trade should be encouraged to meet her foreign obligations. The developments following Wilson's tariff of 1859 are interesting. The European Chambers of Commerce in India did not like it. They felt that the new import duties would injuriously affect British imports and their import trade. They were also afraid that the 5% duty on yarn imports might encourage the hand-loom weaver to compete with the British piece goods imports. The needs/

needs of Indian finances did not interest them. The memorial of the Bombay Chamber of Commerce closed with the following statement: "In conclusion your memorialists would venture respectfully to express a hope that the commercial policy of Her Majesty's government in India will not be inaugurated by a departure from those principles of free trade which are now recognized in England as the basis of commercial prosperity". (Parliamentary Papers 81, Session II. H.C. 1859, pp.10 to 15). They were able to force the hands of the finance member who recognized their objections and incorporated them in Act X of 1860. The features of this Act were the following. I. The import duty was brought down from 20% to 10%, and 10% became the general import duty. II. The duty on imported twist and yarn was raised from 5% to 10% and thus offset any advantage the handloom weaver might get from the lower tariff in competition with British piece goods imports. The general export duty was maintained at 3% but wool, hides, jute and tea were added to the free list. Indigo, salt-petre, lac, shellac and grain were the only important articles subject to special export duties. In 1861 the import duty on cotton twist and yarn was reduced from 10% to 5%. (Financial Statement 1861-62.) Cotton mills were rising in India and had the 10% duty been retained the Indian hand-loom weaver might have used Indian mill-spun yarn and thus/

thus Indian mills would have been encouraged. In spite of a deficit of £6,000,000 in 1861 the import duty on yarn was reduced from 10% to 5% and the internal salt tax was increased Financial Statement 1861-2. In 1862 the yarn import duty was further reduced from 5% to $3\frac{1}{2}$% and the import duty on cotton goods was reduced from 10% to 5%. (Act XI of 1862) Financial Statement 1862-3. In 1864 the general import duty was reduced from 10% ad valorem to $7\frac{1}{2}$%. From this it seems clear that the free trade plea of the European Chambers of Commerce had come to be accepted by the Secretary of State of India and was being applied. (Act XXIII of 1864) Financial Statement 1864-5. In 1867 as a result of changes in the constitution of the tariff schedules forty articles were exempted from import and eighty-eight from export duties and tariff valuations were revised to meet the changes in prices since 1860. (Act XVII of 1867). Imports of merchandise increased from 14.2 million pounds in 1856-7 to 32.60 million pounds in 1873-4, and during the same period exports rose from 25.33 million pounds to 54.96 million pounds. The revenue from customs however declined from 3.02 million pounds in 1860 to 2.40 million pounds in 1873-74. (Moral and Material Progress Report 1873-74, pp. 48-49).

Import duties as they stood in India in 1874 were $7\frac{1}{2}$% ad valorem general, 5% on cotton piece goods, and $3\frac{1}{2}$% on yarns and twists. Cotton manufactures were the main individual item of the import trade. In 1873-4 merchandise/

merchandise imports were valued at 31.63 million pounds and of these cotton goods were valued at 17.78 million pounds. (Annual Statement of the Trade of British India 1873-4). As these entered the country at the lower rate, the real level of the duties were rather misrepresented by the 7½% general rate. It was clear that the rate of duties was very low and that Indian financial considerations had been sacrificed to foster foreign trade and British industries, commerce and shipping. Strict adherence to free trade principles would demand the levying of a countervailing excise in all cases where goods of the type imported were locally produced. That Indian cotton manufactures did not have an excise duty imposed on them is not to be regarded as a reflection on the free trade zeal of the government of India. Levying a countervailing excise duty,was a matter of great practical difficulty,as the hand loom weavers who were scattered over the whole country would be difficult to rope in,and for that reason an excise duty on mill products only,would savour of discrimination. This seems the main reason why the industry was spared.

The occasion of a general election in 1874 saw the launching of a Lancashire attack on the cotton duties for their abolition. In a Memorial to the Secretary of State for India the Manchester Chamber of Commerce stated among other things that "a large number of new mills are now being projected" in India. (Parliamentary Papers 56 H.C. 1876 p.38.) The attack carried/

carried the implication that the existing cotton goods import duties were providing the protection for the Indian mills to rear themselves. Sensitive to such charges, the Government of India in November 1874 appointed a tariff committee for revising the tariff rates and valuations and for examining the articles subject to import and export duties. The members of the Committee unanimously rejected the demand of Manchester for the abolition of the cotton import duties. They however recommended to the Government the reduction of tariff valuation. Their finding was that "India possesses natural advantages over Manchester for producing coarse cotton goods irrespective of the existence or otherwise of import duties; that the prospect of any enterprise to produce in India finer kinds of yarn and cloth with profit or success was notoriously remote; that there was no serious competition between Indian and English cotton industries and that the Manchester demand for the total and immediate repeal of the cotton duties in India when one-fortieth of the total import of British cotton goods was affected by a total competition was unjustifiable and unreasonable P.P. 56 H.C. 1876. Following up the findings of the Committee the Government of India passed Act XVI of 1875 P.P. 56 H.C. 1876. The main features of the Act were (1) export duties except on indigo, rice and lac were abolished (2) the general import duty was reduced from 7½% to 5%, (3) general tariff valuations were revised. While/

While retaining the 5% import duty on cotton piece goods and the $3\frac{1}{2}$% duty on imported yarn they revised the tariff valuation for cotton goods to the extent of diminishing the amount derived from the duty by £88,000, (4) a 5% duty was imposed on the import of raw cotton, (5) special duties were imposed on spirits, wines, arms and ammunitions. (Act XVI of 1875.) The implications of this tariff act demand some attention. To begin with it meant a financial loss annually of £308,000. (Parliamentary Papers 56, 1876, pages 4,5.) Then there is the tendency to do away with export duties, which in the light of their history, was quite welcome. Export duties were levied, always leaving free those going to the United Kingdom. This made export duties financially far from being a success. Export duties in a period of brisk opening up of new areas in the world led to alternative supplies or substitutes. Such was the case of the Indian trade in salt-petre. Under the plea of a general export duty a duty of 3% had been levied on exports of Indian cotton goods. Surprise may be felt at such a state of affairs (a) because of the normal attitude to manufactured exports in Europe which was one of encouragement as providing employment for the exporting country (b) the Indian cotton goods manufacturing industry was an infant industry and as such if it was not to be encouraged at least could be expected to be freed from handicaps. This only draws attention to the/

the very different policy pursued in and for India by its conquerers. What made this export duty even more iniquitous was the fact that to a certain extent India's cotton goods exports were made from imported yarn which paid a $3\frac{1}{2}$% import duty and thus the total burden on the exported goods became in some cases not 3% but $6\frac{1}{2}$%. As against this British goods imported into India when re-exported to Asiatic or African markets received seven-eighth drawback of the imported duty paid and as a result the position of India cotton goods exports in competition with British goods in foreign markets was one of a very severe handicap. (Parliamentary Papers 56, 1876, p. 20.) Similar in its effects on the finances of the country was the reduction on tariff valuations which eased the burden of the cotton,duty on imports to the extent of £88,000. The import duty of 5% on imports of raw cotton was an innovation. India being a grower and exporter of short staple cotton could only import the longer stapled American or Egyptian variety for the spinning of finer yarns. Free trade should have meant freedom even for India to do so as an economic proposition,if she could. But if she did,it would be a threat to Lancashire's cotton goods' export trade to India and the 5% import duty on imports of raw cotton was intended to discourage her from spinning finer yarns.

In addition to passing this Act XVII of 1875 the Government/

Government of India even offered to revise the import duty on imported yarn from $3\frac{1}{2}\%$ to 5% if Manchester felt that the lower duty gave an incentive to Indian mills to weave finer cotton goods from it!!
The Government further stated "If in spite of such precautions to Indian mill manufactures should assume more important dimensions than at present, then there appeared no doubt that the proper course would be not a repeal of the import duty with its concomitant resort to more objectionable taxation but the imposition of an excise duty. Home and imported goods would thus be put on an absolute equality and the revenue, unobjectionable, derived from clothing would be preserved". (Parliamentary Papers 56 H.C. 1876 p.19) Manchester however had made up its mind that it would have nothing less than the repeal of the cotton duties and Lord Salisbury accepted the office of Secretary of State for India in 1874 pledged to achieve it. In 1877 a ~~xxxxxxxx~~'free trade triumvirate' - men known to be convinced free traders - consisting of Lord Salisbury the Secretary of State for India, Lord Lytton the Governor-General and Sir John Strachey* set itself to work for the repeal of the cotton duties in particular and all import duties in general. On the 10th July 1877 a resolution was passed in the House of Commons for the "immediate and total abolition of the cotton duties in India." (Hansard - vol.235, p.1126) The/

* The finance member of the Government of India.

The Government of India acted at once. In March 1878 (a) the import duty on raw cotton was removed (b) a large number of articles which yielded insignificant revenues were transferred to the free list (c) coarse cotton goods were exempted from import duties. (Financial Statement 1878-9) Manchester complained that these measures did not go far enough and the Government of India appointed a tariff commission which exempted from duties all cotton cloth made of yarn up to 30's. As India at this time produced only yarn up to 20's and cloth from it, the exemption from duties of yarn up to 30's and cloth made from it was more than was necessary especially to a financially hard-pressed Government. The revenues of India suffered to the extent of £200,000 by the exemption of coarse goods from import duty and this at a time when there was a budget deficit, an Afghan war on hand, an internal situation that necessitated the diversion of the ear-marked famine-insurance fund, a fall in exchange and the persistence of the effects of the terrible famine of 1877. (Parliamentary Papers 241, H.C. 1879, p.36.) Gladstone expressed himself in the House of Commons over the remission of the cotton duty on coarse cloth in a debate on revenue accounts thus:-

"With regard to the remission of import duties, there seems to me to be something distinctly repugnant in the way it has been done in the time of India's distress and difficulty by the Government of a party which has done/

done all in its power to retain every protective duty in this country and which from year to year, as the occasion rises, advises the Crown to assent to Colonial Acts imposing fresh duties upon British manufactures. What an invidious, almost odious picture of inequality to exhibit to the millions of India. The free trade doctrines that we hold so dear, that we apply against the feeling of the Indian people in their utmost rigor, and without a grain of mercy, disappear in a moment when it is a question dealing with those interests and opinions we cannot lightly tamper with, namely the free colonists of the Empire. The Governor-General says that he cannot see that financial difficulty can in any way be pleaded against what he calls fiscal reform. If that be a true principle of government, it has been discovered for the first time by the present Viceroy. There has not been a free trade government in this or any other country which has not freely admitted that the state of the revenue is an essential element in the consideration of the application even of the best principles of free trade." (Hansard Vol.246 June 12, 1879, pp. 1745-46.)

In 1882-83 on the basis of existing taxation a surplus of more than three million pounds were estimated and that gave an opportunity for another attempt for the total repeal of the cotton duties. Moreover, there/

there arose administration difficulties in the levying of duties largely as a result of the exemption of coarse cloth woven out of yarn up to 30's. All these,combined to make Major Baring,the finance member decide to abolish all import duties. The bulk of the imports into India were cotton goods. If, therefore, the cotton duties were abolished the remaining import duties would be of comparatively little financial value. Their abolition while it would entail some financial loss to government revenues would be very welcome to the vested interests of British industries and trade. Accordingly all import duties except the special duties on wines, spirits, arms and ammunition, salt and opium were abolished. (Financial Statement. 1882-83. pages 46, 47) Thus from 1882 India entered on a free trade period in which free trade meant not merely a trade policy free from any tariff with a protective intention or effect but a trade free from any duty. The measure meant a net loss to the Indian treasury of £1,108,000. The part played by the government of India in this is very unpleasant reading. It was convinced that the cotton duties were entirely revenue duties and had neither a protective intent, or effect and yet worked for their abolition. In a dispatch written on the 31st May 1894 the Secretary of State for India wrote saying "the increase of importations of piece goods/

goods was much more rapid during the last ten years of the existence of the cotton duties (1873-1883) than it was during the ten years after the duty was abolished (1883-1893). (Cmd 7602 of 1895, p.4). It is clear that in so far as the abolition of the import duties made for the free and abundant entry of manufactured goods the difficulty of Indian infant industries as a result of the severer competition became greater.

The salient points of Indian tariff history from 1883-84 were the following. With dwindling income from customs duties and increasing expenditure income tax was reimposed in 1886 to cover the deficit of the budget of 1885-86. In 1888 there was another deficit and among the measures sought to provide for it were (1) an increase in the salt duty and (2) an import duty on petroleum. (F.S. 1888-9). The consumer in India came in for a great deal of consideration when it was sought to abolish the cotton duties but his existence was forgotten when the salt duty was increased and it has to be borne in mind that the consumer could hold up his consumption of cloth in a way he could not do with salt. The imposition of the 8% duty on petroleum was based plainly on the following considerations (1) the need of Revenues (2) imports/

imports were foreign coming from the U.S.A. and Russia. Once again the consumer was ignored. Also ignored were free trade principles for a countervailing duty was not levied on petroleum produced in India ostensibly because it was an infant industry. (Financial Statement 1888-9) ~~capital was working it~~ There was another deficit, this time in the budget of 1894. The Government of India taking the cue from the recommendation of the 1893 Royal Commission on Indian Currency (Parliamentary Papers 143 H.L. 1894, Pt.1, p.11) doubled the duty on petroleum imports and proposed a general 5% import duty leaving out cotton goods imports. In 1893-4 imports of merchandise into India were to the value of 73.95 million £. and cotton manufacture imports amounted to 32,36 million £ of this sum. The reason for the exemption of cotton goods imports was that "very powerful manufacturing interests in England are opposed to laying on even a 5% duty". (Parliamentary Papers 143 H.L. 1894, Pt.1, p.57). The continued fall in the price of silver increased the financial embarrassments of the Government of India and forced them to consider the inclusion of cotton goods imports under the 5% general import duty. Its exclusion had led to a great deal of discontent in India. Sir James Westland, the then finance member, after conducting an inquiry into the competition between cotton goods imports and/

and Indian cotton manufactures and being convinced that "of the manufactures of India 94% is absolutely outside the range of any competition with Manchester, being the coarser quality of goods (24's and under) which Manchester cannot pretend to supply so cheaply as India" (P.P. 7602, 1895, p.11) recommended that import duties should be imposed at a rate of (a) 5% ad valorem on all cotton piece goods, (b) 3½% ad valorem on all cotton yarns of counts above 24, (c) that an excise duty of 3½% ad valorem should be levied on all machine made cotton yarns produced at mills in British India of counts above 24" (P. 14) The Secretary of State for India modified the proposal by raising the duty on yarns to 5% and leviable on yarns above 20's instead of 24., and it was put on the Indian Statute book as Act XVII of 1894. In response to the agitation of Lancashire the cotton tariff was changed in 1896 and by the change (1) only woven goods both imported and manufactured in India were to be taxed at a uniform rate of 3½% instead of 5%. (2) All yarns imported or manufactured in India were to be free of duty. (C. 8078 of 1896, p.25-32). If according to Sir James Westland 94% of Indian cotton manufactures were outside the range of competition with imported cotton piece-goods, the imposition of an excise on all of it reflects the fear that the Indian commodity might be substituted/

substituted for the imported if the duty was not also levied on it to the same amount.

This brings to an end the survey of the economic policy developed during the 19th century in India.

As it has been necessary to go into the details of the economic policy pursued by Britain in India during the 19th century, the chapter might be brought to a close with a brief resumé of the main facts described in it. It has been noted that British dominion over India became effective when the Industrial revolution began to bear its fruits in Great Britain. What was needed by Great Britain was large markets to take her manufactured goods and in return provide her with raw materials and foodstuffs. To achieve that end with success meant making India entirely or mainly a producer of raw material and thus bring her into a scheme of a division of labour with Great Britain mainly which would, by the necessity for exchange, increase trade. The treatment meted out to Indian industries in the early part of the 19th century has been noted. Then the country was opened up and that led to the extension of the one industry that was to be encouraged Agriculture and trade began to grow.

The next stage was the progress of the Free Trade movement and its extension to India. It will be noted/

noted that some of the zeal with which it was sought to make India a free trade country was partly accountable to the world of Europe and the United States of America and the self-governing dominions becoming protectionist. India was a worthy substitute for all of them put together because with her heavy population her market as history later proved, could be a very valuable one. Thus it has been seen that the finances of the country were sacrificed to provide a good market for British manufactures and India became a free trade country in the eighties.

Now if the people of every country have to live in their country and earn their livelihood there, it follows unquestionably that they should be free to embark on all the lines of economic activity that their own ability and the natural resources of their country offers them. This is a position dictated by natural laws and it is not in any way altered or weakened by the fact of a country being self-governing or not. To do anything else is to give an unnatural twist to economic life and it must be borne in mind that an unnatural twist needs a lot of pressure to maintain. Inevitably the pressure is bound to weaken and the recovery follows as a reaction. It can be fairly justly claimed that the trend of the post-war history of trade is evidence of that.

The/

The Indian issue of the period that is being considered is bigger than the Free Trade Vs. Protection issue. To say that it was not so is considerably to detract from the interest and importance of it. Free trade alone cannot prevent a country from developing industrially and rearing industries provided she has natural resources and the market for it, home or foreign. All the protection in the world cannot help a country to rear industries for which she has not the advantages. From the economic point of view, the Free Trade Vs. Protection issue comes nearest, being a real issue in the case of a country with advantages for rearing industries but actually industrially undeveloped, having to face competition in her markets from industrially adult countries. Free traders, as for example the Committee of Economists presided over by Sir William Beveridge in their book "Tariffs: the case examined", make out that it is best for infant industries to grow under Free Trade conditions and that their growth under Free Trade will in fact be sounder than under the shelter of tariff walls. While theoretically their arguments seem sound, the weakness of their position is the fact that history provides no serious example in the post-industrial revolution period of a country rearing its industries under a regime of Free Trade. Great Britain, historically the outstanding/

outstanding Free Trade country, built up her industries under a system of strict and stringent protection and emerged a Free Trade country when her industrial supremacy and leadership were unchallenged. The reason it seems why history does not provide us with serious examples of undeveloped countries rearing themselves industrially under a régime of Free Trade, which theoretically has been proved to be quite possible, is that when a country embarks on industrialisation, the impatient democracies of National States want spectacular, early, and tangible results. They are egged on in this by the vested interests of these industries and a democratic system lends itself to pandering to the populace. This is a digression but it is necessary.

The Indian issue of the period it may be repeated was not the Free Trade Vs. Protection issue. Indian industries could have reared themselves under a régime of Free Trade if the State could have given them what every other state did for the industries of its people. Just that and no more. The necessity for this was greater in India because of the transfer of economic initiative into its hands, as a result of its big place in the life of the country and its centralised control of the arteries of economic life. Great Britain chose to specialise in Industries and one reason among others for this was that/

that "however cheap manufactured goods became during the 19th century they never became relatively so cheap as agricultural produce. It paid therefore to be a manufacturing country". In India on the other hand her economic policy frowned on industrial development. Once again Great Britain reared her industries under a severe régime of protection and emerged into Free Trade when her industrial leadership and supremacy were almost unchallenged. In her undeveloped industrial state India on the other hand,was theoretically to develop herself under a régime of Free Trade in which the competition fair and unfair could be far more severe. The Free Trade policy for India was being implemented exactly at the time when Great Britain was granting the self-governing dominions fiscal autonomy and the right to rear tariffs. If the need for industrial development was necessary for these newly occupied countries with no industries and small populations,it was infinitely more necessary for India but the difference of treatment is striking. The truth is that mercantilist imperialism baulked of action in the self-governing dominions found an infinitely better alternative place to extend its sway over,in India and the result was the Economic policy pursued in India by Britain in the 19th century.[I] Adam Smith's passion for human well-being and his prophetic insight are realised when writing at the close of the 18th century he/

I. cf. The Minute of Sir Henry Maine. Parliamentary Papers 392. H.C. 1879 p.10.

he said in his 'Wealth of Nations' "To prohibit a great people however from making all that they can of every part of their produce or from employing their stock and industry in the way that they judge most advantageous to themselves is a manifest violation of the most sacred rights of mankind" (Bk. IV, Ch. VII) p.91 And again "hereafter perhaps the natives of these countries may grow stronger or those of Europe may grow weaker and the inhabitants of all the different quarters of the world may arrive at that equality of courage and force which by inspiring mutual fear can alone overawe the injustice of independent nations into some sort of respect for the rights of one another" (Bk. IV, Ch. VII) p.139.

CHAPTER IV.

TRADE EXPANSION 1900-1914 AND THE FACTORS CONTRIBUTING TO IT.

A. GENERAL.

Evidence of the fact of a world-wide expansion of trade during 1900-14 is provided by the following table.

Foreign trade per head of population.

	Population in Millions	1900	1905.	1910	1913
		£. s. d.	£. s. d.	£. s. d.	£. s. d.
India	315	0: 8: 4	0:11: 4	0:14: 3	0:17: 7
Russia	164	1: 1: 4	1: 4: 6	1:12: 7	1:12:10
United Kingdom	45	18: 5: 0	19: 0: 2	22: 7: 6	25:14:10
France	40	9: 1: 2	9:16: 6	13:10: 0	15: 9: 7
Germany	65	9: 1: 0	10: 8: 6	12: 8: 6	15: 7: 7
Italy	35	3:15: 2	4:11: 0	6: 2: 7	7: 1: 9
U.S.A.	92	6: 0: 6	6: 7:10	7: 7: 5	9: 1: 7
Japan	50	1: 3: 3	1:15: 5	1:18: 0	2:12: 7
China	400(?)	0: 2:10	0: 5: 1	0: 5: 8	0: 7: 4

(Source: Review of the trade of India 1914-15, p.89)

The foundations of this rising structure of trade were laid during the 19th century and economic development during 1900-1914 merely built on the foundation laid then. Foreign trade is exchange and/

and exchange flourishes and grows in value and volume under the following conditions.

I. An increase in the production of wealth along the lines of a geographical division of labour. It has been seen that Europe and the United States of America came to specialise in the production of manufactured goods, and in the main, the rest of the world, in the production of Raw Materials of industry and foodstuffs. That was a geographical division of labour along the lines of specialisation. The increase in the production of wealth was brought about (a) in the industrial world by power production and the adoption of large scale production (b) by the extension of primary production in the rest of the world. This was brought about by imperialist expansion. The extent of the increase of the area of the British Empire during the last 30 years of the 19th century has been given earlier in this study. During the same period practically the whole of the African Continent was partitioned among the great powers, the French especially building up a great African empire and Germany doing her best, to acquire territories wherever the countries earlier in the field would allow them to get a footing. Spheres of influence were vigorously sought in countries such as China which could not be/

be annexed. Another index to the increase in the production of wealth was the growth of population. "The rapid growth of population is in itself a stimulus to economic development. Among the bourgeoise, large families militate against the leisured class. Among the proletariat they supply the human material necessary for the working of the industrial system". (Source:- Stephen Viljoen : Economic tendencies of today, p.7) The total world population as estimated by Professor Walter F. Wilcox rose from 813,000,000 in 1800 to 1495,000,000 in 1900 and 1746,000,000 in 1925. (Recent Economic Changes, p.843) and that of Europe rose from 190,000,000 in 1800 to 450,000,000 in 1914. "One century produced one and a half times as many human beings as all previous centuries of European life combined". (Stephen Viljoen:- Economic tendencies of today, p.6).

II. Development of the institutions that facilitate exchange and commerce. (a) Development of the means of transport. The latter half of the 19th century and the first fourteen years of the twentieth were periods of a rapid extension of railways and railway mileage. The rate of the expansion is realised from the following figures of average annual increase of Railway Mileage.

Lengths/

Lengths of Railways in Kilometres.

Period.	World.	Europe.	Outside Europe.
1841-50	3000	2000	1000
1860-70	10000	5300	4700
1891-1900	17000	6000	11000
1900-1913	24000	5000	19000

(Source:- der Moderna Kapitalismus III, pp.286-7 quoted by Viljoen in Economic Tendencies of today p. 98)

Complementary to the development of internal transport was the growth in the tonnage of ocean transport. This was estimated at 23 million tons in 1900 (A.W. Kirkcaldy - British shipping : its history, organization and importance.) and rose to 45 million tons in 1913 (C. Ernest Fayle - The World's shipping industry, p.297). The effect of the development is reflected in the following index numbers of freights. The downward tendency may be regarded as a factor contributing to trade expansion.

Mean Yearly Freights - 1900 taken as Standard Year.

	Homeward.	Outward.
1900	100	100
1901	74	71
1902	64	61
1903	70.5	53
1904	71	47
1905	69.5	55
1906	69	67.5
1907	69.8	67.5
1908	57	63
1909	63	67.5
1910	64.4	68.2
1911	75	82
1912	105	107.8
1913	89	91

(Source:- A.W. Kirkcaldy - British Shipping: its history, organization and importance Appendix XVI, p.641).

III. MONETARY DEVELOPMENT.

Account must also be taken of the contribution of this great institution of economic life to the trade expansion of the period. As an institution of economic life money so established itself that a failure of the quantity of money to expand in response to the increased demand for it might have held up or weakened the trade expansion/

expansion of the period. The contribution of money to the trade expansion lay in the fact that an increased supply was able to cope with the increase in demand and more than that. A survey of the index number of whole-sale prices in the leading trading countries shows an unmistakeable tendency in the latter part of the period - 1910-1913 - to a rise in prices, xxxx a rise in prices, big enough to provide the stimulus to production and trade, but not to imply a threat to the value of money, acts as a lubricant for the wheels of the mechanism of production and exchange. In this way money did make its contribution to the trade expansion of the period. It took nearly the whole of the 19th century for the International gold standard to rear itself. The century began with England adopting the gold standard in 1816 and closed with India coming into the gold group in 1899 and between that period all the leading countries of the world had adopted it and in 1900 the only big country outside the gold group was China which was more or less on the silver standard. The adoption of the gold standard by countries that had not adopted it was hastened towards the end of the 19th century by the fall in the price of silver. The world then being divided into lending and borrowing countries, lending countries were reluctant to lend with the insecurity of the falling price of silver and hence silver stand-ard/

standard borrowing countries were made to adopt the gold standard. It was so in the case of India. The contribution of the international gold standard to international trade has been summed up by saying that in it "international trade and finance the two great limbs of the world's economic order had found the monetary vehicle which most closely corresponded to their necessities". The reference is to the stability of the exchanges secured by the international gold standard during the pre-War period and 1900-1914 may be regarded as the most successful period of the pre-war international gold standard. The emergence of gold as the international standard was possible because during the period there was an increased gold supply to meet the increasing gold demand. The following figures of gold production are taken from W.T. Layton's Study of Prices, p.160.

Year.	Quantity in tons.
1900	377
1901	390
1902	425
1903	481
1904	500
1905	577
1906	618
1907	631
1908	666
1909	702
1910	712
1911	684
1912	691
1913	662
1914	657

The increased gold supply enabled the central banks to strengthen and increase their gold reserves and increase the quantity of credit and guarantee convertibility. But it is only right to say that while the increased supply of gold enabled the strengthening of the gold basis of credit and the capacity to increase it, it was not the cause of the credit expansion of the period which expressed itself in a rise in prices. This was mainly the result of the opening up of profitable investments which made the supply of capital unequal to the demand and caused a rise in the value of stocks and shares of development loans and made them the basis of greater borrowing. "The group of years with the highest rate of discount is the group 1906-11 when the output of gold was at its highest". (J.A. Hobson - Gold and prices, p.141.)

B. INDIA.

This section is given to the survey of the forces that made for India's response to the general trade expansion of the period 1900-14. These are considered on the same lines as in the earlier section.

In Chapter III of this study the economic history of India during the 19th century has been surveyed. It was seen/

seen there that the policy pursued by Great Britain in India was generally to bring India into a scheme of a geographical division of labour with her, as a producer and exporter of raw material and importer of manufactures. The implementing of that policy, took the form in the early years of the 19th century, in getting out of the way of British Manufactured imports, the competition of Indian industrial products. In the latter part of the century, it expressed itself in opening up the country by means of railways and by a reduction of import tariffs, designed to make the capture of the Indian market easy for foreign manufactured imports which were mainly British industrial products. During the period 1900-1914 there was no change of policy on the part of the Government. The import tariffs in the main remained the same as they were when they were fixed in 1896 and were in the words of Sir Edward Law "the lowest in the world". Government intervened to change tariffs only when British imports into India were threatened in any way or to provide a gain to a powerful British-financed industry in India.

In justification of the criticism made above the following instances may be cited. At the close of the 19th century the central European powers stimulated beet sugar exports by means of bounties. Considering the inveterate British habit of sporting the consumer this/

this should have been welcomed as the bounties made sugar cheap for the consumer in the United Kingdom and in India. The colonial office persuaded the Indian government to levy an extra import duty on beet sugar not so much because it was bounty aided as that as a result of it British West Indies sugar planters were in a bad way. "We are in this business of the sugar convention chiefly because of the West Indies". (Economist p.1844 Nov. 29, 1902.) The Indian duty on beet sugar imports was further raised in 1903 when it was found that the duty of 1899 was not effective. So far as India was concerned the effect of the duty was to shut out Central European beet sugar in favour of Mauritius sugar. This was in accordance with the then recently born idea of Imperial preference. Now, when later on in this study, the sugar trade is studied as an item of the import trade, it will be realised, that as a result of the free trade policy pursued in India coupled with the laissez faire attitude of Government in regard to Indian industrial development the Indian sugar industry was generally in a poor and stagnant condition. In March 1911 a resolution was moved in the Indian legislative council "that the duty on imported sugar be so raised as to make it possible for the indigenous sugar industry to survive the competition to which it is at present exposed". An amendment was moved asking for an inquiry by a committee of experts into the means the State could take to/

to save the industry from threatened ruin." Both the resolution and amendment were defeated by the official majority. (Source:- Proceedings Vol.XLIX, pp. 415 431) Now ~~xxx~~ sugar cane growing is an integral part of Indian agriculture. The Indian tariff board sugar inquiry report of 1931 recognised this and recognised it as an industry of national importance. It is also seen that British policy was to encourage agriculture and discourage industrial development. In the light of the attitude to the sugar industry cited above, is it wrong to infer that British policy was to encourage agriculture so as to increase the export trade in raw produce but not to encourage agriculture if it was going to affect the import trade in manufactured articles. In this case the British interests affected would be mainly, the shipping interests, as at this time the bulk of the sugar was from a non-British source - Java. Again in 1910 the duty on kerosene oil imports was raised, but the necessity, in strict adherence to free trade principles, of a countervailing excise which bulked so large in the case of Lancashire cotton manufacture imports into India, was waived in the case of the Indian oil industry on the score that it was an infant industry! Thus while during the period 1900-1914 the tariffs were very low and very few changes were made. These examples serve to show under what circumstances/

circumstances Government was disposed to intervene and raise tariffs.

Another aspect of the economic policy relevant to the matter in hand is the attitude of the Government to Industrial development. That attitude has been seen to be one of encouragement to agriculture, to increase the volume of the export trade and discouragement to industrial development. This policy was referred to as a policy of laissez faire though it seems incorrect to sum up so positive a policy with a title that implies negation. The thought content of the term laissez faire, is, that things are left alone, because the industrial initiative of the people being quite live, could be trusted to help itself and that would be the best for all concerned. When, on the other hand industrial initiative has been almost destroyed by economic policy, laissez faire under these circumstances comes to have a different content of implications.

Now, the situation that brought to the fore the unsuitability, for the wellbeing of the people, of the so called policy of laissez faire supposed to be pursued by the Government in India, was the difficult economic situation which was that "In India there were five famines between 1800 and 1825, two between 1825-50, six between 1851-75 and 18 between 1876-1900"/

1900" (Report of the Indian Industrial Commission, note by the Hon. M.M. Malavaiya, p.257). The Famine Commission of 1880 in its report said "we have elsewhere expressed the opinion that at the root of much of the poverty of the people of India and the risks to which they are exposed in seasons of scarcity lies the unfortunate circumstance, that agriculture forms almost the sole occupation of the mass of the population and that no remedy for the present evils can be complete which does not include the introduction of a diversity of occupations through which the surplus population may be drawn from agricultural pursuits and led to find means of subsistence in manufactures or some such employment". (Report Vol.1, p.175). This was in 1880. The increasing gravity of the situation in the years that followed, made one provincial government in India take some initiative in the matter of industrial encouragement and education. What success attended that attempt is seen in the chapter in the Indian Industrial Commission's Report headed "Government industrial policy in recent years". On page 70 of that report occurs the following "From the memorandum it will be seen that step by step the Madras Government committed themselves to an increasingly active policy for the promotion of industries .... These numerous activities aroused the opposition of the/

the local European community. The Madras Government appointed a special officer under the title of Director of Industries to control pioneer enterprises and practical industrial education and to establish a bureau of industrial information. But when the scheme was laid before the Secretary of State for India, the essential feature of experiment and demonstration by government agency on a commercial scale, entirely failed to secure his approval". This means that the Secretary of State was all out for a laissez faire policy. Now whether the economic policy of a government to its people should be laissez faire or state help is a question that has a meaning only when considered in relation to the capacity of the people to help themselves or not. The Secretary of State apparently decided this issue on the reasoning that what was good for Great Britain must be ipso facto good for India even when conditions were so intensely different. More need not be said in this connection.

Another factor which had an effect and influenced the trade of the country is the development of the means of transport. There was during the period a definite increase in the mileage of Railways and Roads. Railway mileage in India increased from 24752 in 1900-01 to 34656 miles in 1913-14. One motive behind railway development in India is made clear from the/

the Dalhousie Minute of 1853 to which reference has already been made. Agriculture definitely gained from the development of transport in the country as it led to a specialisation of crop. (p.8. Industrial Commission's Report). Reference has already been made to this. It was different when it comes to consider the effect of Railways on Indian industrial development. Here Railway policy during this period rather clearly bears the marks of the motives that according to the Dalhousie Minute of 1853 led to its inauguration and development. Surveying Railway policy and its effects the Indian Industrial Commission in its report said "before the war the major portion of Indian Railway traffic flowed in two streams - raw products moving towards the ports and imported manufactured articles moving up country from the ports.... the policy of the railways has been based on this position and has followed and tended to stimulate these movements...... In consequence many inequalities have arisen between goods for export or imported articles on the one hand and goods for internal use or locally manufactured articles on the other in areas where Railways compete with one another or with water transport and speaking generally favourable rates for raw produce moving to the ports have resulted (p. 171) The Review of the trade of/

of India for 1901-2 has on page 5 the following "imported sugar can be laid down more cheaply from Karachi than Indian sugar brought into the Punjab from other provinces, the railway finding it expedient to concede favourable terms for sugar from the ports". Summing up the position that resulted from the economic policy as a whole,pursued, Sir Alfred Chatterton in his book The Industrial Evolution of India says "The external trade of the country has grown at the expense of the internal, resulting in an unhealthy and one-sided development of the country's resources. Roads, Railways, telegraphs, the construction of the Suez Canal and every improvement in the means of transport both by sea and land have contributed to the difficulties and in many cases to the ultimate discomfiture of the Indian artisan. The attention of Government has been entirely directed to the opening up of the land, to the provision of irrigation, assistance has in more than one case been given directly to the effects of English manufacturers to export to Indian markets whilst the industrious artisan has been left severely alone to combat as best he can the growing difficulties of his position"(p. 20).

During the period the area under agriculture increased. It was a net area of 197 millions in 1900-1 and rose to 219 million acres in 1913-14. Of/

Of the total area under crops the area under food grains increased from 177 millions in 1900-01 to 191.5 million acres in 1913-14 and the area under other crops increased from 20 to 28 million acres. The area under irrigation also increased during the period rising from 30 million acres in 1900-1 to 46 million acres in 1913-14. The extension of irrigation was an attempt to reduce in so far as it was reducible the element of instability inherent in the Indian agricultural economy by its dependence on the Monsoon for the water supply for agriculture occupations. There was some progress industrially in the well established cotton and jute manufacturing industries; this will be seen more in detail in the part of this study referring to the trade in these commodities.

Another factor contributing to India's response to the trade expansion of the period was the exchange stability of the period. Trade thrives with stable exchange and unlike the period 1870 to 1899 or even 1919-1925 the period 1900-1914 was one of stable exchange and except for one short lapse in November 1907 the exchange rate during the period kept within the gold points of the 1s 4d rate. While during the period then the International gold standard saw to the stability of the exchanges within the gold group the value of silver fluctuated during the period in terms of gold and thus there was an element of instability which/

which may theoretically be expected to have an effect on India's trade with China. The fluctuations in the gold value of silver during the period is seen from the following table of the <u>average annual price</u> of silver in London.

Year.	Price of Silver per	
1900	$28\frac{1}{4}$d	
1901	$27\frac{3}{16}$	$-\ 4\frac{3}{16}$ d.
1902	$24\frac{1}{6}$	
1903	$24\frac{3}{4}$	
1904	$26\frac{3}{8}$	$+\ 6\frac{3}{16}$
1905	$27\frac{13}{16}$	
1906	$30\frac{7}{8}$	
1907	$30\frac{3}{16}$	
1908	$24\frac{3}{8}$	$-\ 7\frac{3}{16}$
1909	$23\frac{11}{16}$	
1910	$24\frac{5}{8}$	$+\ 4\frac{1}{4}$
1911	$28\frac{1}{32}$	
1912	$27\frac{9}{16}$	$-\ 2\frac{5}{8}$ d.
1913	$25\frac{5}{16}$	

These are the annual average prices of silver. An insight into the fluctuation of the value of silver in terms of gold in the course of a year can be gained from the following table quoted from H.B. Morse - International Relations of the Chinese Empire 1861-1893 (p. 408).

<u>price of silver per oz.</u>

1903	March	28.75 d.	
"	May	32.25	rise of 12% in 2 months
"	June	31.25	fall of 3% in 1 month
"	Sept.	32.25	rise of 13% in 3 months
"	Dec.	32.0	fall of 10% in 3 months
1904	Feb.	37.0	rise of 16% in 2 months
"	April	32.0	fall of 14% in 2 months
"	July	35 d	rise of 9% in 3 months
"	Oct.	34.5	fall of 2% in 3 months
"	Dec.	37.25	rise of 8% in 2 months

If exchange is a major factor in determining trade then the foreign trade of China ought to reflect these variations in the gold value of silver and alternate between increasing volume of exports and declining imports when silver fell in value and vice versa when silver rose in value. Again if the fluctuations in the value of silver was anything for short periods like what the table for 1903-04 makes it out, one should expect the tremendous uncertainty of the value of silver generally to depress the trade of the country seeing that with such fluctuations a contract of sale or purchase cannot be made on a basis of calculation. A fluctuation within limits may be safeguarded against, by the banks providing cover or by every import or export transaction being covered by an/

an export or import transaction. But even bank cover has to be paid for and the banks would not lose the occasion for a squeeze and it is not always possible to cover export transactions with import ones or vice versa. If then exchange was a substantial factor in influencing trade the fall of the trade of China ought to reflect all this suitably. The following are the figures of China's foreign trade during the period.

	Imports into China	Exports from China.
1901	39.7 million £.	25.1 million £.
1902	40.9 " "	27.8 " "
1903	43.1 " "	28.2 " "
1904	49.3 " "	34.3 " "
1905	67.2 " "	34.2 " "
1906	67.5 " "	38.9 : "
1907	67.6 " "	42.9 " "
1908	52.6 " "	36.8 " "
1909	54.3 " "	44.05 " "
1910	62.3 " "	51.2 " "
1911	63.3 " "	50.7 " "
1912	72.1 " "	47.07 " "

It will be seen that China's foreign trade reflects the swing of general trade conditions in the world during the period,rather than the fluctuations of exchange.

China's/

China's trade with India during the period showed the same features as her trade as a whole.

	Indian imports into China in Haikwan Taels.	Exports from China to India
1901	28.9 million H.T.	3.1 million H.T.
1902	46.6 " "	7.6 " "
Annual Average for 1901-06	32.5 " "	2.4 " "
" 1907-12	38.6 " "	5.0 : "

(Figures of China's trade quoted from the article "Our trade with China", economist. May 28, 1921, p.1167)

In countries living in close and active competition with each other the rate of exchange is so closely related to the price level that variations of exchange tend to correct disparities and bring about a parity of purchasing power between the internal and world price level. In the case of China the whole economic structure of the country operated against its being in such a relation with the other trading countries and its price level was not thus aligned to the world price level. The disparity of purchasing power it may be argued still left a margin of gain in spite of the vagaries of exchange.Hence trade was unaffected by the fluctuations of the gold price of silver. The position was accentuated by the fact that for China it was a developmental period and in the world at large there was a growing demand for the exports of China.

Of the influence of the fluctuations of the gold value of silver on the trade of China C.F. Remer in his book on the foreign investments of China writes thus (p.47) "the effect of the remarkable and fairly continuous fall in the gold price of silver after 1870 is not so easily discovered either in the field of trade or investment. In general, I believe that less importance is to be attached to silver than is commonly supposed. For China the silver problem is the currency problem. A currency different from that of the great trading nations is not so significant as in the days before the world war when the west may be said to have been on an automatic gold standard. The monetary standard of a particular country is more a matter of national policy. Under such circumstances the important consideration may be the effect of silver on domestic prices and business conditions within China rather than its effects in the field of international economic relations".

China's chief imports from India during the period were cotton yarn and opium. The following are the figures of the rate of exchange and the average price of opium per chest.

	Average price per chest (in Rupees)	Rate of exchange in Hongkong (Rs. per 100)
1892-3	1227	222
1893-4	1132	205
1894-5	1316	188
1895-6	1390	191
1896-97	1288	181
1897-98	1087	155
1898-99	1061	143
1899-1900	1218	146
1900-21	1356	150
1901-02	1299	143

Reviewing this table The Review of the trade of India for 1901-2 has on p.25 the following "here we find a price of Rs 1299 in one year and Rs 1061 in another year, the exchange in both years being at the same rate and an almost equally low price (Rs 1081). When exchange was much higher,Prices seem to have borne little or no relation in the period in the table which begins just before the closure of the mints, to the variations in exchange. They are dependent on supply and demand, not on the varying rates of the media of exchange, though a particular transaction may be affected by the variation of exchange and it is sometimes supposed that such a temporary bargain illustrates the operation of a general law".(Review of the Trade of India 1901-2 p.25)

Another/

Another factor making for the expansion of Indian trade during the period 1900-1914 was foreign borrowing on the part of India. Borrowing influences trade in the sense that while the loan is contracted and given, part of the loan at least may be transferred to the borrowing country in the shape of goods bought in the lending country. In fact very often loans were granted on the condition that part at least of it was spent in the purchase of goods in the lending country. That India was at present spending no less than 95% of her London Loans in direct purchases in the United Kingdom was the view expressed by Earl Winterton in 1923 (Economist p.95 July 21, 1923). Once the loan has been made, payment of interest is effected by acquiring credits abroad through increasing exports. Thus normally the grant of a loan makes for increased imports while the transaction is being effected and makes also for increased exports from the debtor country by way of payment of interest.

It is not possible to get the figures of import of capital on private account for the period. Imports coming into the country on public account, do not affect the import figures of private merchandise, though the payment of interest for them affect the exports of private merchandise. This concludes the survey of the factors that influenced the trade expansion during 1900-1914 on the Indian side.

CHAPTER V.

THE COURSE OF INDIAN FOREIGN TRADE IN MERCHANDISE 1900-14.

The start for a consideration of this may be made with the figures of the values of imports and exports of private merchandise during the period. 1 crore = .6 million pounds.

Year.	Export values in crores of Rupees. Crores of Rupees.	Import values. Crores of Rupees.
1898-9	109.35	68.38
1899-1900	105.68	70.71
1900-01	104.2	76.27
1901-1902	121.2	81.5
1902-1903	125.9	78.8
1903-1904	149.6	84.8
1904-1905	154.1	96.7
1905-1906	158.2	103.1
1906-1907	173.1	108.3
1907-1908	173.4	129.9
1908-1909	149.8	121.3
1909-10	184.3	117.1
1910-11	204.9	129.4
1911-12	221.7	138.6
1912.13	241.4	161.0
1913-14	249.0	191.3

(Source:- Review of the trade of India 1900-1 to 1913-14)

The broad note of the trade of the country during the period 1900-1914 was one of expansion, the average annual rate of increase of merchandise exports being 11 crores and for merchandise imports 9 crores. On the trade in private merchandise, India had a healthy favourable balance indicated by the figures given below. These figures have been arrived at by deducting the value of re-exports of merchandise imports from the total value of merchandise imports on private account and deducting the derived figure from the value of private merchandise exports:-

Year.	Excess of Exports over Imports (Merchandise private)
1900-01	31.1 crores of Rupees
1901-02	42.9
1902-03	50-02
1903-04	68.1
1904-05	60.82
1905-6	58.6
1906-07	68.2
1907-08	47.33
1908-09	31.73
1909-10	70.66
1910-11	79.77
1911-12	89.17
1912-13	85.08
1913-14	65.65

Although the raison d'etre of international trade to a country may be merchandise imports, the key position in the whole foreign trade of a country is its export trade in merchandise and the character of it is determined by the nature of the commodities. she exports and the world demand for them and its influence on their price. Thus the importance to the foreign trade of a country, of her export trade in merchandise, lies in the fact, that it is these, that provide her with the foreign credits with which to command the exports of other countries for herself, which are her imports. Thus it is the export trade in merchandise of a country which sets the upper limit to the quantity in value of her imports. A country may temporarily be a borrower and import more than she exports. This however cannot be a long period or a permanent position. If a country is a debtor, the discharging of her debt obligations is done with her exports, and these, further narrow her foreign credits that can be devoted to import merchandise into the country. Lastly a country's merchandise exports constitute her economic personality. The explanation then of the large excess throughout the period of the value of merchandise exports over her imports lies in the fact (a) that India is a debtor country and part of the total credits of her exports has to be devoted to/

to a discharging of her annual debt and other obligations. (2) India is an importer of precious metals and these have to be paid for. The former then is a more definite charge. The latter depends on the state of prosperity in the country and the price at which the precious metals gold and silver could be procured.

Table Number 37 entitled The Balance of Trade of India p.81 - Review of the trade of India 1913-14 gives as an item "Net imports of gold and silver".

	Gold.	Silver.
Average of 5 years ending 1903-4	6.3 million pounds	3.4 million pounds
1904-5	12.07 " "	4.5 " "
1905-6	6.3 " "	3.3 " "
1906-7	9.8 " "	4.4 " "
1907-8	11.5 " "	6.6 " "
1908-9	3.1 " "	7.9 " "
1909-10	14.4 " "	6.2 " "
1910-11	15.9 " "	5.7 " "
1911-12	25.17 " "	3.5 " "
1912-13	25.05: " "	4.3 " "
1913-14	15.5 " "	4.6 " "

If the key position in understanding the foreign trade of India is her export trade it would help to look into the factors that helped to maintain her export trade in merchandise in such a healthy condition that she had a large excess of/

of Merchandise Exports over Imports. These may be set down as the following:-

I. That from the point of view of the production of wealth India had been shaped to fit into a scheme of a world division of labour as a producer of Raw Material - a position which made trade and exchange a vital necessity. This has been referred to in the previous chapter and does not need to be enlarged upon.

II. That during this period the demand for Raw Materials both for purposes of industry and food was very strong as a result of increasing industrialisation in Europe and the United States of America and the growth of population in the world in general and Europe and the U.S.A. in particular. India was during the period an exporter of Raw Materials mainly and an importer of manufactured goods. The position during the period made the terms of exchange favourable to Raw Material producing and exporting countries. The following table of index numbers of Indian exports and imports bears this out:-

Prices in India expressed as index numbers.

Price in 1873 = 100

	Exported articles 28 unweighted	Imported articles 11 unweighted
1900	124	96
1901	116	96
1902	113	86
1903	103	88
1904	104	93
1905	116	105
1906	139	116
1907	145	106
1908	151	99
1909	133	109
1910	127	113
1911	136	117
1912	145	117
1913	154	117
1914	160	114

(Source:- Table 4 p.447 G.F. Shirras Indian Finance & Banking)

According to this table while imported articles rose by 18 points between 1900 and 1914, exported articles rose by 36 points - double.

III. India is a producer and exporter of a wide variety of raw materials. In a few of them such as jute, lac and certain oil seeds she had during the period the monopoly/

monopoly of the supply. In others she stood in varying degrees of strength as a supplier. This meant a strong position, such, that the fading away of the world demand for an export commodity like indigo or a weakening of the world demand for another like coffee that took place during the period,had no chance to show itself in the figures of her exports as a whole. A world of change which caused these also caused new commodities like manganese to come into the export trade and thus off-set the influence of the fading out of the demand for Indian indigo.

IV. The distribution of the Indian export trade was so wide that thereby it was insured against serious fluctuations of the demand for her exports which it might be expected to be liable to if the outlets for her export was a narrower field. The features revealed by a scrutiny of the appended table showing the shares of the different countries to which Indian exports go may be set down as follows:-

(a) The scheme of a geographical division of labour into which India had been brought is very clear from the fact that in 1900-1 Europe and the United States of America together took roughly 60% of her exports and this percentage share rose to 70% in 1913-14

(b) The main argument for saying that the export trade/

Shares of the different Countries in the export trade

	1900-1	1901-2	1902-3	1903-4	1904-5	1905-6
U.K.	30.1	25.1	25.2	27.1	27.5	25.3
China	11.3	14.5	12.6	11.9	12.6	13.5
Germany	8.8	8.4	8	9.9	9.2	8.9
U.S.A.	6.9	6.9	6.7	6	6.3	8.2
Japan	2	5.7	4.6	5.6	6.3	6.3
France	5.7	7.3	7.2	6.6	6.2	5.9
Belgium	3.4	3.9	3.9	5.1	5.4	4.0
Straits Settlements	6.6	5.2	6	4.8	4.1	3.9
Ceylon	4.6	3.7	3.5	3	3.2	3.5
Austria Hungary	2.6	2	2.5	3.2	3	2.9
Italy	2.9	2.4	2.7	3.3	2.7	2.8
Egypt	4.3	4.4	6.1	.9	.8	2.2

(Source:- Review of the Trade of India 1900-01 to 1913-14) of India in Merchandise. Percentages.

1906-7	1907-8	1908-9	1909-10	1910-11	1911-12	1912-13	1913-14
27.1	25.9	24	26.3	24.9	26	25.1	23.7
10.9	8.6	12	9.9	9.3	8.2	8.4	2.3
11.0	11.7	10	9.5	9	9.8	10.1	10.3
9.0	7.8	8.8	7.6	6.5	7.0	7.8	8.9
4.1	4.8	6.4	6.7	6.3	7.5	7.7	9.2
6.4	6.6	4.8	6.3	7.6	6.2	6.5	7.1
4.1	4	4	5.4	5.3	6	5.4	4.9
3.8	3.5	3.5	3.3	3.7	3.9	3.7	2.8
3.7	3.9	3.9	3.8	3.9	3.7	3.7	3.7
3.3	3.1	3.1	3.5	3.4	3.3	2.9	3.9
3.3	3.3	3.3	3.2	3.8	2.8	2.8	3.2
2.4	1.1	2.4	1	2.8	1.6	-	-

trade was widely distributed, is the fact that the United Kingdom's % share in the Indian export trade was less than half of her share in the import trade of India generally and in 1913-14 came to be only slightly more than one-third of her percentage share in the import trade in that year. The reasons for this disparity between the United Kingdom's shares in the Indian export and import trade is that India's exports are largely bulky raw material and take some carrying. If there were alternative nearer supplies of any of these available the United Kingdom may reasonably be expected to plump for them, especially so in the case of any raw material import, used by her for the manufacture of goods for a competitive export market. Thus for example during the period Great Britain began taking more linseed from the Argentine and coffee from Brazil than from India. Besides Great Britain was increasingly investing capital in the opening up of the nearer countries which stood for nearer alternative supplies.

The greater share of the United Kingdom in this trade may be accounted for as the combined result of a number of factors. It was the product of the early start she had in trading into India and the monopoly that she had of it in these days. It was also the product of British dominion over India and of the import/

import and export trade of India at this time being largely in British hands. Another factor was her Industrial supremacy and leadership even though it was very seriously challenged during the period. Free trade may also be argued as a factor making for the United Kingdom's greater share in the Indian export trade. In realising this, it has to be borne in mind, that although her percentage share declined during the period, she still at the end of the period had a percentage share which was double that of the next biggest importer of Indian goods and absolutely the United Kingdom's share rose from a value of 32 crores in 1900-01 to round about 60 crores in 1913-14. In spite of this absolute increase in her takings of Indian exports, the United Kingdom's percentage share of the Indian Export trade in Merchandise declined from 30 in 1900-01 to 23 in 1913-14. This merely proves that her share being big at the start had not the scope of an expansion such as could maintain her percentage share of it of 30%. At the rate of the expansion of Indian exports it would have needed a very big expansion of the United Kingdom's takings to maintain her percentage of 30%. This she was not able to do. Hence in spite of the absolute increase in her takings her percentage share of it declined. Countries whose takings were small at the start like Germany were able to register a big percentage advance. This change was an expression of the increasing industrialism in these countries and a measure of the extent to which British Industrial leadership and supremacy were being challenged. This is all that need be said here anent the distribution of the Indian export trade and its character.

V./

V. To continue the consideration of the factors that made for the health of the export trade. There was another factor which operated to contribute to the health of the Indian export trade. It is theoretically arguable that a monsoon country depending for the success of her agricultural season on the rainfall may be expected to have inherent in her economy an element making for instability which would affect its production and exports. That in actual fact, the inherent element of instability got considerably reduced may be proved in the following way. The total area of India is 1,773,168 square miles. The country is in the main an agricultural country. It belongs to the monsoon region and depends for the success of its agriculture on the sufficiency and timeliness of the rainfall. From this, two deductions may reasonably be expected to follow. These are (1) Considering the size of the country there cannot be a wholesale failure of rainfall all over the country. (2) In view of its size again a failure of rainfall in some part of the country may be considered a normal event. Allowing for the fact that there are gradations of good and bad rainfall, it is arguable that these two points are elements that work for a comparative stability rather than instability of agricultural/

agricultural production. Annther factor that tends to make for the comparative stability of agricultural production in India is the distribution of rainfall in the country. The country from the point of view of rainfall falls into divisions of assured and abundant rainfall and of tracts subject to drought. According to the Famine Commission of 1880 the parts of the country which from the abundance and certainty of their rainfall or from other conditions of climate or their geographical features are exempt from the risk of drought consisted of the eastern districts of Bengal and Assam, Burma, the narrow strip of country lying between the western Ghats and the sea, and the tracts immediately eastward of the summits of that range, the upper valley of the Nerbada, and Sind where owing to the very small rainfall agriculture almost wholly depends on artificial irrigation from the Indus the supply of water from which never so far fails as to cause a general loss of crop. The tracts which are most subject to drought includes (1) the western and southern parts of the North Western provinces and that portion of the Punjab country which lies east of the Sutlej. (2) The western and northern states of Rajputana and of the central plateau which border on the north western provinces. (3) The districts of Bombay above the western Ghats and the districts/

districts of Madras above the eastern Ghats together with the southern and western region of Hyderabad and all Mysore except the strip lying close along the western Ghats. (4) The districts along the east coast and at the extremity of the peninsula. Now in the regions where there is a risk of drought the progress of irrigation has served to some extent to diminish that risk. The effect of this position on agricultural production has to be seen to feel how much the inherent element of uncertainty and instability has thereby been reduced. Jute, which is a front line product of the export trade, is grown entirely in the Bengal and Behar, regions of abundant rainfall. As such the production of it from the point of view of rainfall may be expected to be subject to no serious interruption though there are gradations of good seasons with corresponding effects on output. Then again Tea which is important for the export trade is almost wholly grown in Bengal and Assam, 444,000 out of the total area of 533,000 acres during the period under it, in British India, being in that region of certain and abundant rainfall. As against commodities grown exclusively in areas of certain rainfall, there are a number of important commodities like rice, cotton and wheat the production of which in varying degrees is widely distributed ~~xx~~ between areas of certain and uncertain rainfall. The result is that the/

the failure of the crop in one region,is made up by good crops in the other and on the whole the production may vary but is less liable to very wide variations. Thus the specialisation of crops in regions of certain rainfall on the one hand and the wide distribution of production of other crops as between regions of certain and uncertain rainfall tends and has tended on the whole to reduce the instability that as a monsoon country is associated with an agricultural country like India.

Another factor tending during the period to maintain and increase the agricultural production of the country was that agriculture was the occupation increasingly of the people, "for the proportion to the total population of those depending on agriculture rose from 61% in 1891 to 66% in 1901; to 71% in 1911 and to 73% in 1921" (p.58 Economic conditions in India - P.P. Pillai). To conclude. Speaking generally then, so far as the agricultural production in its effects on trade is concerned,the conditions of the Indian agricultural economy tended more and more to weaken the forces making for instability of output.

On this background the course of the Export and Import of trade of the period may now be considered. To start with the export trade, the figures make out that/

that in the opening year of the period the export trade showed a certain weakness. The following figures bear this out.

Exports of Merchandise.

1898-99	1899-1900	1900-01
109.35 crores	105.68	104.20

On the other hand the import trade in merchandise during that period showed strength being in value 68.38, 70.71 and 76.27 crores respectively for the three years. This merely shows the time lag involved in adverse economic conditions in the country and a reduction of purchasing power of the people expressing itself in a reduction of imports. All the same the figures of the number and tonnage of steamers and sailing vessels which entered from and cleared to foreign countries reflected the weakness of the export trade.

Year	Number of Vessels	Total tonnage.
1898-99	9686	9,115,646
1899-1900	8528	8,627,486
1900-1901	8302	8,269,430

(Review of the Trade of India 1900-1)

It seems safe to infer from this that as India is an exporter of bulky raw materials which take more carrying/

carrying and fill more cargo space than finished articles which are mainly her imports and as the value of her exports are greater than her imports, the total tonnage of steamers and sailing vessels with cargoes and in ballast which enter from and clear to foreign countries is more influenced by the export trade.

The weakness of the export trade in 1900-01 was the result of a number of factors the chief of which was famine. This famine, which Loveday in his book on the History and Economics of Indian famines characterises as "the greatest famine which history records" broke out in 1899 and continued into the first half of the opening year of the period. "The area seriously affected in British India was 175,000 square miles with a population of 25 millions" ...... "one million excess deaths occurred among British subjects" (Moral and Material Progress and Condition of India 1900-1 p.30). In addition there was an epidemic of plague. "It will be observed that drought and famine were the cause of a proportion of the restricted trade, at least 5 crores of the decline being set against grain and pulse and oil-seed" ("Review of the Trade of India, 1900-01, p.16)

Exports of Grain and Pulse and Oilseeds.

	1898-99	1899-1900	1900-01
Grain & pulse	27.19 crores	18.09 crores	14.03 crores
Seeds	11.84 "	10.09	9.01 "

(Review of the trade of India 1900-01)

The difficulties arising out of famine were not the only ones with which the country was confronted. Some of the major export industries and the trade in them had their own special troubles. "All manufacturing industry was affected by the rise in the price of coal". This was the effect of the South African war that broke out in 1900. It resulted in the holding up of South African coal and the diversion to the Cape of supplies that would have gone elsewhere .. The effect on coal prices is clear from the following figures of average annual prices.

1899	1900	1901
7/7d per ton	10/9¾d	9/4¼d

(Source:- Economist Oct.25th 1902, p.1638)

The cotton industry in Western India was going through a depression, as the result, among other things, of the rise in the price of coal and raw cotton and the depressed price of yarn as the result of the trade with China - its major export market - being held up by the Boxer rising and the intervention of the Foreign Powers in China. The average price of Middling American raw cotton during 1899, 1900 and 1901 was respectively $3\frac{9}{16}$ d, $5\frac{5}{32}$ d and 4¾d per lb. respectively. (Economist, Jan.5th 1901, page 7). The depression in the Indian cotton manufacturing industry is clear from/

from the following Index Numbers of the prices of Raw Cotton and Yarn in India.

	1899	1900	1901
Raw Cotton	59	84	88
Cotton Yarn No.20s	52	61	69

(Source:- Review of the Trade of India 1900-01, p.17)

Yet another line of production, the trade in which was in a depressed condition in this year was that of Tea. Tea is grown in India mainly for export. As in the case of cotton yarn exports, the export trades in these two commodities had the weakness of concentrating on one market. The Tea industry concentrated on the United Kingdom market which was at this time glutted with imports mainly from India. The following table gives the figures of imports, consumption and excess in that market.

Imports and consumption of Tea in the U.K. in million lbs.

Year	Imports.	Consumption	Excess
1895	233.8 million lbs	227.8	6.02 million lbs.
1896	253.1	246	6.5
1897	268.8	261.8	7.0
1898	276.4	279.03	2.59
1899	302.5	288.69	13.89
1900	334.07	314.23	19.84

(Source:- Circular of Gow, Wilson and Stanton quoted by the Review of the Trade of India 1900-01, p.20)

Increased tea output resulted from increased planting for with the five years ending 1900,"107,000 acres were added to the area under Tea in India" (R.T. 1900-01, p.19). Tea planters attempted to make up for the fall in price with increased plucking and this increased the supply but also lowered the quality and hardened the fall in price. The consumption of Indian Tea in markets outside the United Kingdom expanded from 19 million lbs. in 1896 to 33.5 million lbs. in 1900 but this was hardly enough to stop the fall in prices. An expansion of supply unrelated to the demand brought about therefore a fall of the price of tea.

Price of Tea.

1898-99	1899-1900	1900-01
8¾d per lb.	8¼d.	7¼d.

(average annual price of tea per lb. quoted from the Economist commercial and financial review of 1900. Feb. 16th 1901).

Yet another export commodity the trade in which was an element of weakness for the Indian export trade was Indigo. The export values of the trade in this commodity was as follows:-

1898-9	1899-1900	1900-01
2.97 crores	2.69	2.13 crores

Once a prosperous dye material export, the decline in the/

the export and production in it was brought about by the competition of the German synthetic dye which was put on the market for the first time in 1897. After that because of its relative cheapness, the record of natural indigo in the Indian export trade was one of steady decline,so much so,that Indigo ceased shortly after to be an export commodity of any importance. Asiaticus in Economic Journal June 1912

Another source of weakness to the Indian export trade was coffee. The export trade in this commodity declined from 1.74 crores in 1898-99 to 1.48 in 1899-1900 and 1.22 in 1900-01. The average price of coffee in 1899 was 65/2½d and fell to 47 shillings per cwt. in 1900. The competition of Brazilian coffee was so severe that no compensation in increased price could be looked for from a diminution in quantity. The growing taste for tea during the period completely overshadowed coffee and this coupled with the strength of the Brazilian coffee supply,gave no chance for any recovery of Indian coffee in the export trade. In 1913-14 these exports were only 1.53 crores.

The point of detailing all these items of embarrassment of the Indian export trade is to show that in spite of famine, plague, depression in the cotton spinning industry, the temporary loss of the China yarn/

yarn market and the decline in the price of tea, indigo and coffee the total decline in the value of the Indian export trade in merchandise between 1899-1900 and 1900-01 was only 1.48 crores out of a total export trade in the former year of 106 crores, and between 1898 to 1901, that is for the whole of the famine period, the decline was only of 5.15 crores out of a total of 109.35 crores. This is a proof of all that has been said earlier in this chapter on the factors that make for reducing what may be called, the theoretically inherent element making for instability in production and therefore in the export trade of the country. If some commodities declined in quantity or value others rose and that helped to a great extent to even out the decline. As the Review of the trade of India put it on page 2 for 1900-01 "there was some compensation on the credit side of the account in opium, jute and the manufacture of jute and also in hides and skins". In this connection another significant point to note is that the real effect of the forces at work during this year was not so much a decline in the total export trade as a change in the provincial distribution of the export trade. The Review of the trade of India for 1900-01 has on page 3 the following "the influence of the drought and famine upon the trade of the year is strongly indicated by the/

the provincial distribution of the export trade. From Bombay the exports of Indian merchandise declined in value by almost 11%..... Exports from Karachi also which are largely dependent on the harvests of the Punjab were only half their value in the preceding year. In Burma, there was a small decline which arose out of the transfer to the consumer in the famine stricken districts of Western India of rice which in an ordinary year would have found its market in Europe. The export trade of Madras was hardly affected at all and that of Bengal largely increased".

The untoward economic conditions of the opening year of the period 1900-1914 and their influence on Indian production and trade have been dwelt on at length. This has been done on purpose to show (1) how it came about that the period had an inauspicious start and (2) to use it to exemplify some of the economic features on which the trade of India rested.

To continue now the survey of the Indian export trade after 1900-1. In the case of the simple agricultural economy that ~~xxxx~~ obtained in India, recovery from a set-back may be expected to come almost at one stride with a good monsoon. That it was so can be realised from the following figures of the export trade from 1901-2 right up to 1907-8 when there occurred a failure of the monsoon in a large part of the country.

Annual increase in the value of the Export trade in Merchandise.

			Index Number of prices of Exports.
1901-2	+ 17	crores of Rupees	1901 = 116
1902-3	+ 4.7	"	1902 = 113
1903-4	+ 23.7	"	1903 = 103
1904-5	+ 4.5	"	1904 = 116
1905-6	+ 4.1	"	1905 = 116
1906-7	+ 14.9	"	1906 = 139
1907-8	+ 0.3	"	1907 = 145

Before taking up the consideration of the export trade during the bad Monsoon year 1907-8, it would be well to turn to the fortunes of the import trade in merchandise up to that period. It has been seen that while during the opening year of the period the export trade showed signs of weakness, the import trade showed signs of considerable strength. The explanation of this difference has been made earlier. As however the export trade is the key position in determining the broad course of trade in general it could not be that the import trade in merchandise could fail to reflect the weakness of the export trade. It may be delayed but it had to show itself even if there was a time lag making for a delay. That showed itself in 1902-3 when the export trade was on an upward move. The following figures show the trend of the values of the import trade in Merchandise.

In Crores of Rupees.

1898-9	1899-1900	1900-1	1901-2	1902-3	1903-4
68.38	70.71	76.27	81.5	78.8	84.8

According to the Review of the trade of India for the year 1902-3, the decline of imports of merchandise in that year was mainly under the heads of cotton goods, sugar and petroleum. As these are articles of general consumption the reduction in their imports points to a reduction in the purchasing power of the people as a result among other things of the famine of 1899-1901. The weakness of the import trade in 1902-3 was also due "to plague in many of the great distributing centres and marts which had been inimical to large business" and "to the practical exclusion during nearly three quarters of the year of Austrian and German beet sugar through additional countervailing duties". (Review of the Trade of India 1902-3).

With 1903 it can be presumed that the depression which began with the new century and was caused by famine and plague in India and by the South African war and the Boxer rising outside, lifted, The Index Number of wholesale prices in India and the United Kingdom point to that :-

	India. Index Number of wholesale prices.	United Kingdom. B.O. Trade Index general prices.
1900	116	100
1901	110	97
1902	106	96
1903	99	97
1904	101	98

Thereafter it was a period of rising prices and particularly in India. That the rise in India was due to the increase in the volume of currency is the view of J.M. Keynes expressed in an article entitled Recent Economic events in India (Economic Journal March 1909). "We may conclude" he writes "that between April 1903 and the end of 1907 the net increase in the circulation of coins and notes amounted in value to not less than 49 millions sterling or 735 million rupees". That the rise of prices was influenced by the increase in currency is proved by the close correspondence revealed by the following table cited by him, of the general index number of prices and estimated total volume of currency.

	General Index Number of prices.		Estimated total volume of currency on 1st April of each year.
1903	100		100
1904	102		110
1905	112		115
1906	131		127
1907	140	1st April 31st Dec.	136) 143)

(p.57)

That there was during the period a rise of prices and that this rise was greater than the rise of prices in the United Kingdom is proved by the following table quoted from page 52 of the article.

Index Numbers of Prices.

	Imported articles	Exports and Principal articles consumed.	Food grains	Prices in the United Kingdom.
1903	100	100	100	100
1904	106	101	93	102
1905	109	114	117	105
1906	119	137	142	111
1907	132	144	143	116

In the normal course of trade the rise of internal price should be expected to work for an increase of the import trade and a checking of the export trade. The monopoly element in many of India's raw material exports served to maintain and increase the value of the export trade. This is borne out by the following table of the chief exports of India and the percentage increase or decrease of exports of 1906-7 over those of 1902-3. (Source:- Ibid p.59.

The chief exports of India and the percentage increase or decrease of exports of 1906-7 over those of 1902-3.

Commodity.	Percentage increase or decrease of exports of 1906-7 over those of 1902-3.	
	Quantity.	Value.
Grain and pulse	- 7%	+ 9%
Seeds	- 11	- 13
Cotton	+ 22	+ 49
Jute	+ 23	+ 141
Cotton twist and yarn	- 2	+ 22
Hides and skins raw and tanned	+ 65	+ 82
Opium	- 1	+ 16
Tea	+ 29	+ 34
Gunny bags	+ 14	+ 58
Gunny cloth	+ 41	+ 91
Lac	+ 13	+ 90

Of the failure of the monsoon in 1907 and its effects the Review of the Trade of India for 1907-8 has the following on p.1. "The spring harvest of 1907 had been generally indifferent particularly in Northern India and when the failure of the south west monsoon occurred famine conditions declared themselves over a large area .... the distress extending over 133,000 square miles bearing a population of 49 millions.

The/

The effects of this on Indian agricultural production is revealed by a comparison of the area and outturn of crops in 1907-8 with that of 1906-7.

Increase (+) decrease (-) in %.

Commodity.	Area.	Out-turn.
Rice	+ 0.9%	- 11.3%
Cotton	- 3.1	- 36.7
Wheat	- 21.9	- 28.1
Jute	+ 14.1	+ 6.6
Rape and Mustard	- 18.6	- 34.7
Linseed	- 43.9	- 61.6

(Source:- Review of the Trade of India 1908-9, p.4)

Although the decrease in agricultural production was thus serious the export trade in merchandise just maintained itself, rising by 2% from 173.08 crores to 173.42 crores. The exports of raw materials and unmanufactured articles declined in value by 6.5% (R.T.I. 1907-8 p.4).

In the autumn of 1907 occurred the financial crisis in the United States of America. Its immediate effect was to cause a drain of gold from London and create a stringency there. The position created by this stringency and the failure of the crops was to make the balance of trade unfavourable to India and produce a weakness of exchange as a result of which exchange went for a very short time below the gold point. The position is well brought out by the following table showing the exports of merchandise and treasure from India during 1906-7 and 1907-8.

	1906-7	1907-8	Increase (+) or decrease (-)
1st quarter.			
Exports of merchandise.	40.99 crores	49.5 crores	+ 20.8%
Exports of Treasure.	2.19 crores.	.7 crores	- 64.5
2nd quarter.			
Merchandise	36.33 "	46.27 "	+ 27.4
Treasure	1.49 "	1.8 "	+ 20.6

First 6 months Merchandise = + 23.9%

Treasure = - 30%

3rd quarter.			
Merchandise	46.44 crores	39.62 "	- 14.7
Treasure	1.27 "	1.73 "	+ 36.2
4th quarter.			
Merchandise	52.79 crores	41.77 "	- 20.9
Treasure	.75 "	1.13 "	+ 50.2

Last 6 months Merchandise = - 18%

Treasure = + 41.4%

(Review of the Trade of India p.31 1907-8)

As some of India's agricultural products of one year enter into the trade of the next the agricultural weakness of 1907-8 may have been expected to show itself in the trade of 1908-9. The Monsoon of 1908-9 was itself not a very satisfactory one and what was worse, the shock to credit as the result of the American crises settled down as a general depression during 1908 and reflected itself in a general decline of the trade of the leading trading countries. (Review of the Trade of India 1908-9 p.3). In India the export trade declined from 173.3 crores in 1907-8 to 149.82 crores. This marks the break in the demand for Indian exports which had, in spite of rising prices maintained, the export trade up to this time.

To turn now to the import trade during the period. The following are the figures of the import trade and the index number of import prices.

	Value of imports		Index Number of Import prices.
1903-4	84.8 crores	1903	88
1904-5	96.7 "	1904	93
1905-6	103.1 "	1905	105
1906-7	108.3 "	1906	116
1907-8	129.9 "	1907	106
1908-9	121.3 "	1908	99
1909-10	117.1 "	1909	109

The influence of the large rise in the price of imported articles in India in 1906 will be seen in the large increase in imports of 1907-8 a year when the export trade was just able to maintain itself. 1908-10 were years when the import trade declined. This may be regarded as the result of the reduction in the purchasing power of the people from a failure of the crops and the rise in the price of food grains. The Review of the Trade of India for 1908-9 states "a calculation based on the average monthly prices of the seven principal food grains of India during 1908 and the previous five years shows that the price in 1908 was 57.3% more than the average of the five years period (p.4). Thus the index number of food grain prices average monthly in India from 1906-1910 was as given below:-

1906	=	118
1907	=	122
1908	=	154
1909	=	126
1910	=	108

(Source:- Review of the Trade of India 1910-11 p.2)

This may be assumed to contribute to the weakness of the import trade which is shown by the values of the import trade between 1908-1910.

1909 was a year of recovery and in 1910, as will be seen/

seen, the prices of food grains declined appreciably and from then began the revival of trade which continued unchecked till 1913. This section of the survey of the import and export trade - 1900-1914 - might be brought to a close with a survey of the figures of the import and export respective prices.

	Value of imports	Index Number of import prices.		Value of exports		Index number of export prices.	
1909-10	117.1 crores	1909	99	1909-10	184.3	1909	133
1910-11	129.4	1910	109	1910-11	204.9	1910	127
1911-12	138.6	1911	113	1911-12	221.7	1911	136
1912-13	161.0	1912	117	1912-13	241.4	1912	145
1913-14	191.3	1913	117	1913-14	249	1913	154
		1914	114			1914	160

(Source:- Review of the Trade of India 1909-10 to 1913-14).

To conclude this survey, the features of Indian foreign trade of the period 1900-1914 revealed by the survey may be set down as consisting of the following. (1) That as an exporter of raw produce India at this time stood in a position of advantage as the terms of exchange were in favour of raw material exporting countries. (2) The monopoly element that India had in some of her export commodities and her strength as a supplier in the case of other commodities contributed in/

in no small measure to the prosperity of her export trade.
(3) This prosperity of her export trade increasing the purchasing power of the people contributed to the strength of the import trade.
(4) The inordinate rise in the price of food grains reduced this purchasing power between 1908 and 1910 and the import trade recovered definitely with the fall in the price of food grains and with the good cotton crops in the United States of America in the closing years of the period.

This chapter might be brought to a close with a brief survey of the distribution of the import trade of India among the trading countries. Appended is a table of the percentage share of the different countries. Having given the distribution of the export trade of India, the distribution of the import trade may also be given in this chapter.

The features disclosed by the table may be briefly set down.

(1) The reality of the geographical division of labour in world production is patent from the fact that during the period 70 to 80% of the imports into India came from Europe and the United States of America.

(2) The lion's share of the import trade was that of Great/

Distribution of the Indian import trade among the

Country	1900-1	1901-2	1902-3	1903-4	1904-5	1905-6
United Kingdom	63.8%	64.5	66.3	64.9	65.2	66.7
Belgium	3.2	3.7	3.9	3.9	3.6	4.3
Germany	3.4	3.7	2.7	3.4	3.9	4.2
Mauritius	3.2	2.4	2.5	3.1	2.1	2.0
Russia	3.7	3.9	3.4	2.9	1.7	0.3
Straits Settlements	3	2.9	2.9	2.9	3.2	2.5
Austria Hungary	4.1	4.8	3.2	2.6	4.1	4.0
China	3.3	2.2	2.8	2.3	2.0	1.7
France	1.4	1.7	1.8	1.9	1.9	1.7
U.S.A.	1.6	1.4	1.5	1.5	1.1	2.2
Japan	1.1	.87	1.0	1.5	1.2	1.2
Java	,	-	0.7	1.4	2.1	1.8
Italy	-	-	-	-	1.3	1.1

trading countries 1900 - 1914.

1906-7	1907-8	1908-9	1909-10	1910-11	1911-12	1912-13	1913-14
66.8	66.7	62.6	62.6	61.1	62.4	63	64.1
4.0	4.1	4.2	1.7	1.7	1.7	1.9	2.3
5.3	4	4.1	5.5	6.5	6.5	6.4	6.9
2.0	1.9	2.1	2.1	2.3	1.4	2.0	1.4
0.1	0.3	0.2	0.1	0.2	0.1	-	-
2.6	2.4	2.8	2.4	2.4	2.1	1.9	1.9
2.8	2.0	3.2	2.2	2.2	1.9	2.2	2.3
1.4	1.7	1.9	1.9	1.9	1.8	1.9	.9
1.4	1.6	1.5	1.5	1.8	1.5	1.3	1.5
2.3	2.5	2.7	3.1	2.7	3.8	3.2	2.6
1.5	1.7	1.7	2.1	2.6	2.5	2.5	2.6
2.7	4.5	5.1	6.8	7.0	6.8	5.8	5.8
1.0	0.9	0.9	0.8	1.0	0.9	-	1.2

Great Britain and amounted to double the percentage of all the shares of all other countries in the import trade of India. That need not be a surprise seeing that trade was the main motive that led to the setting up of British Dominion over India . Here is an avowal of it. "The empire is commerce .... It was created by commerce, it is founded on commerce and it could not exist a day without commerce ..... for these reasons among others I would never lose the hold which we now have over our great Indian dependency - by far the greatest and most valuable of all the customers we have or ever shall have in this country".
(Joseph Chamberlain. Foreign and Colonial Speeches 1897, pp. 101-2 and 131-33.

Great Britain maintained her share of the import trade with India very well during the period. The U.S.A. and Germany although as industrialised as the United Kingdom did not seriously enter the lists as competitors for trade in India because the U.S.A. then had a large home market and nearer export markets and Germany not having the start of Great Britain in India had shortly to build it up and found it not easy work.

(3) Java took over the major part of the sugar import trade with India and that accounts for the decline of the share of Mauritius and the striking increase of that of Java.

CHAPTER VI.

THE INDIAN EXPORT TRADE 1900-1914.

Section 1. Manufactured goods.

The start for a study of the Indian export trade in merchandise is with an account of the commodities that figure in it. A complete list of all the commodities would be very wearying, and it is therefore proposed in this study, to take account, only of these commodities in the trade, that rise to an importance in terms of value of one crore of Rupees (.6 million pounds sterling). Indian Export commodities that satisfy this condition are the following in order of importance. Two lists are given one for the opening and the other for the closing year of the period 1900-1 to 1913-14.

There is an advantage in giving two such lists. It helps to realise the changes that took place in the Indian export trade. It has to be borne in mind that the year 1900-01 was a very bad famine year, while 1913-14 was a year of trade boom conditions though a little subdued compared to the years immediately before it.

Value in Millions of £ sterling # Rs 15 = £1 sterling.

1900-1		Indian Exports. 1913-14.	
Grain & pulse	9.35	Grain pulse & flour	30.1
Jute Raw	7.24	Cotton Raw	27.4
Cotton Raw	6.75	Jute Raw	20.6
Tea	6.36	Jute Manufactures	18.8
Opium	6.30	Seeds	17.1
Seeds	6.009	Tea	9.98
Jute Manufactures	5.24	Cotton Manufactures	8.08
Hides & Skins Raw	4.65	Hides and skins Raw	7.8
Hides & Skins tanned	2.996	Opium	2.28
Indigo	1.42	Wool Raw and Manufactured	1.8
Cotton Manufactures	1.02	Lac	1.3
Coffee	.818	Hides and skins tanned	1.05
Lac	.699	Coffee	1.02
Wood and timber	.668	Oilcake	.9
Wool Raw	.601	Manganese ore	.8
		Wood and timber	.7
		Dyeing and Tanning substance	.7
		Hemp Raw	.68
		Oils	.65
		Manures	.63
		Spices	.6

(Figures taken from Tables relating to the Trade of British India 1900-1 to 1904-5 No.10 1909-10 to 1913-14 No.10)

A study of the two lists shows certain small differences which may be noted in passing. (1) At the end of the list for 1913-14 are certain items which do not appear in the list for 1900-01. These items are oilcake, Manganese ore, dyeing and tanning substances, raw hemp and oils. Since 1900-01 the trade in these items had expanded to a value to entitle them to a place on the list. (2) There is one item on the 1900-01 list which finds no place in that of 1913-14 and that is Indigo. This has been referred to in the previous chapter. (3) Another feature to be taken note of in a survey of the two lists is that while with the exception of Indigo all the items of the 1900-01 list have their place in that of 1913-14 and while their values in all cases have advanced in the 1913-14 list, Opium holds the distinction of being the one commodity whose export value in 1913-14 was considerably less than in 1900-01. This decline was the result of the decision made at the International Opium Conference held at Shanghai midway through the period 1900-1914. The Indian government which was a party to that conference accepted the decision to abolish the trade eventually. 1913-14 was the first year when the decision became effective in so far as the export of Indian opium was concerned. The decline of that year was very marked.

Section 2. Indian Exports of Manufactures.

An outstanding feature, revealed by the items of the Indian export trade is, that India is almost entirely an exporter of Raw Material. The main items of Manufactured goods on the list of Export articles are (1) Jute Manufactures (2) Cotton Manufactures and (3) Tanned hides and skins. What relation of value in the export trade these together bore to the tòtal value of India's export trade in merchandise can be realised from the following table.

Value in Crores of Rupees.

Year	(1) Total value of Merchandise exports	(2) Value of Manufactured Exports.	% of (2) to (1)
1900-1	104.2 crores	21 crores	20%
1901-2	121.2 "	25 "	20%
1902-3	125.8 "	25.81	19
1903-4	149.6 "	27.64	19
1904-5	154.1 "	29.32	21
1905-6	158.1 "	35.65	22.5
1906-7	173.07 "	37.85	22
1907-8	173.4 "	39.29	22.5
1908-9	149.8 "	36.65	24
1909-10	184.3 "	38,06	20.5
1910-11	204.8 "	36.97	18
1911-12	221.7 "	35.25	16
1912-13	241.3 "	57.33	23.5
1913-14	249.04 "	54.6	22

(Figures from the Review of the Trade of India 1900 to 1914).

It will be seen that India's manufactured exports have maintained themselves at more or less a fifth of the total export trade in merchandise. In thus maintaining themselves at this percentage their value has risen from 21 crores in 1900-01 to 54.6 crores in 1913-14. While the volume of these exports has increased, has there been any broadening of the stream of India's manufactured exports? The Review of the Trade of India for 1913-14 has on page 63 the following items of the export trade under <u>Section 3 of articles wholly and mainly manufactured</u>. Their values are also given:-

<u>Yarns and textile fabrics.</u>

Jute	28.27	crores	of Rupees
Cotton	12.12	"	"
Wool	.25	"	"
Silk	.05	"	"
Other Materials	.02	"	"
Hides & Skins tanned or dressed	4.25	"	"
Chemicals Drugs & Medicines	3.95	"	"
Dyes and Colours	1.04	"	"
Metals:Iron & Steel and manufactures of	.44	"	"
Metals:other than Iron and Steel & manufacturers	.19	"	"
Apparel	.16	"	"
Cutlery, hardware etc.	.07	"	"

Furniture/

Furniture & cabinet ware	.06
Railway plant and Rolling stock	.01
Glassware and earthen ware	.02
Paper, pasteboard & stationery	.0075
Carriages, carts including cycles and Motor cars	.003
Machinery of all kinds	.0015
Miscellaneous	3.63

From this list of India's manufactured exports it will be seen that the most important from the point of value are (1) Jute goods, (2) Cotton goods and (3) Tanned hides and skins, and in the year 1913-14, these three accounted for 44.5 out of the total of 54 crores of exports of articles wholly and mainly manufactured. The percentage of these three items in the export trade in manufactured goods during the period 1900-1914 will be seen from the following table.

Indian Exports of Manufactures.

Value in crores of Rupees.

Years.	(1) Total Value of Exports of articles manufactured	(2) Value of Jute, Cotton goods and Tanned Hides and skins.	% of 2 to 1.
1900-1	21 crores	18.05	86%
1901-2	25	22.22	89%
1902-3	25.81	21.90	85%
1903-4	27.64	23.02	83%
1904-5	29.32	24.42	83%
1905-6	35.65	30.51	85%
1906-7	37.85	32.32	85%
1907-8	39.25	32.94	84%
1908-9	36.65	31.38	85%
1909-10	38.06	32.96	86%
1910-11	36.97	32.09	89%
1911-12	35.25	30.25	86%
1912-13	57.33	39.6	74%
1913-14	54.6	44.64	81%

(Review of the Trade of India 1900-1914)

The position revealed by this table is, that while the value of India's manufactured exports, had during the period increased from 21 to 54 crores of Rupees, Exports of Jute goods and Cotton goods and Tanned hides and skins maintained themselves throughout the period at between 80 to 85% of the total exports of manufactured goods. In other words the stream of India's exports of manufactured goods while it increased in volume, did not broaden out its channels.

Generally/

Generally it is unwarranted to infer from the non-appearance of new manufactured exports that there has been no industrial development. If a country has a large home market, effective industrial developments in that country may not express themselves in the export of such goods if they are all consumed internally. In the case of India however it is quite right to infer from the non appearance of new manufactured goods in her export trade that there was during the period no new industrial development. Reference has already been made to the economic factors working to that result. These were (1) the internal economic policy (2) The one sided free trade policy of the period whereby while India could be flooded by the manufactured goods of all countries Indian manufactures were prevented from gaining entry into the Continental countries of Europe and the United States of America by the heavy tariffs levied to preclude such entry. (3) Another handicap was referred to by Sir Edward Law in his Minute on Imperial Preference. To quote the Minute "An important question affecting Indian trade in a very special manner is that of freights .... To illustrate the disadvantages of the present situation, I may point out that if an oil presser in India desires to ship his oils to Europe, the abundance of raw produce generally awaiting shipment and which can be easily and with great advantage, shipped in bulk, naturally/

naturally leads ship-owners to charge something like fancy rates on such goods as oil in casks. I think it well to draw attention to this question because I believe that existing conditions as regards freights are very prejudicial to nascent Indian industries and must be considered as a factor tending to delay their development". (p.24 and 25 Views of the Government of India on the question of Imperial Preference (cmd 1931 of 1904))

Another problem that has to be looked into in connection with the Indian export of manufactured goods during this period is this. The question arises "In what measure did each of these three chief items of manufactured goods contribute to the total increase of the exports of manufactured goods. That can be realised from the following table of individual export values.

	Jute Manufacture Exports.	Cotton Manufacture Exports.	Tanned Hides & Skins Exports.
1900-1	7.86 crores	5.70 crores	4.49 crores
1901-2	8.71	10.86	2.65
1902-3	9.01	10.00	2.89
1903-4	9.46	10.47	3.09
1904-5	9.93	11.64	2.85
1905-6	12.44	14.42	3.65
1906-7	15.71	12.16	4.45
1907-8	18.29	10.76	3.89
1908-9	15.73	11.53	4.12
1909-10	17.09	11.91	3.96
1910-11	16.99	11.01	4.0
1911-12	16.00	9.77	4.4
1912-13	22.8	12.20	4.6
1913-14	28.27	12.12	4.25

(Figures taken from the Review of the Trade of India 1900-1914)

In attempting to assess the advance of the export trade in each of these three items, during the period, it has to be borne in mind that it is very unsafe to compare the figures of 1900-1 with that of 1913-14. 1900-1 was a famine year and the mortality in cattle was so abnormally large that the export trade in hides and skins suddenly grew very large. That is clear from a comparison of the figures given for 1900-1 and 1901-2. Similarly the wide variation between the export figures/

figures of cotton goods for the years 1900-1 and 1901-2 suggests that 1900-1 was not a normal year. The bulk of India's exports of cotton manufactures is yarn, which during the period went to China. These exports were held up by the outbreak of the Boxer rising in 1900-01. If then an assessment of the advance of the export values of each commodity is to be made it would eliminate error to a greater extent to compare the figures of 1901-2 with these of 1913-14.

Looking at the figures given already it will be realised that between 1901-2 and 1913-14 India's total manufactured exports increased by 118.6%. Individually exports of jute goods increased during the period by 224.5%, of cotton goods by 11.5% and those of tanned hides and skins by 60%. In 1901-2 Jute goods accounted for a little more than one-third of India's total manufactured exports, cotton goods a little more than two-fifths and tanned hides and skins a little more than one-tenth. In 1913-14 jute goods approximated to a little more than half, cotton goods less than one-quarter and tanned hides and skins to about one-thirteenth of the total exports of manufactured goods. Thus it seems clear that while these three major items of India's export trade in manufactured goods accounted for about 85% of the total export trade in manufactured goods throughout the period, in the course of the period the relative importance of these three became/

became very unequal, Jute accounting for most of the advance while Tanned hides and goods registered very much less and Cotton goods more or less just maintained themselves in the export trade the advance registered by them being 11.5%. That is to say, during 1900-1914 while the volume of the exports of manufactured goods increased, the channel of the stream far from getting broadened became narrower. The explanation of this lies in the following facts. Exports of Indian cotton manufactured goods registered a very poor advance during the period. It has been said that the bulk of India's exports under this head was that of cotton yarn to China. The first step in the industrial career for any country is with the light industries and of these the spinning of yarn is the easiest. Japan having entered on a career of industrialisation started the spinning industry and had a geographical advantage with regard to the China market, as her spinnings were coarse yarn which was what India exported to China. Japan was able to cut into and take over India's trade with China and that accounted for the decline of India's exports of yarn to China during the period. What advance Indian cotton goods exports were able to register was therefore in the line of woven goods. But the advance in this line could not be large because Great Britain and the countries of the Continent of/

of Europe which had an older cotton weaving industry established direct connections with some of India's export markets such as Persia and Ceylon and when it came to competition with them India for very many reasons was in a much weaker position. This is sufficient to explain the poor advance registered by India's cotton goods in her export trade. It is of course not to be inferred that because her export trade in cotton goods registered a poor advance that therefore the cotton manufacturing industry in India was in a stagnant condition. That was not so. The industry made very real progress during the period as will be seen later. Having a large home market and finding her foreign markets very unstable propositions the Indian cotton manufacturing industry gave more attention to the home market.

Section 3. The Export of Tanned Hides and Skins.

From the point of view of value the export trade in Tanned hides and skins is the smallest of the three main items of the export trade of India in manufactured goods that are being considered here. These however registered an advance of 60% during the period. The smallness of the advance is to be accounted for by the following features. The/

The main markets for India's hides and skins during the period were Europe and the United States of America. All countries, with the sole exception of the United Kingdom, were protectionist and levied import duties on manufactured goods while allowing in free, or at a lower rate, raw material. The United States of America and Germany had built up a tanning industry. The former was the biggest importer of Indian raw skins and the latter the biggest importer of raw hides. The result is reflected in the progress during the period of the export trade, in raw, as different from, tanned hides and skins of India. The former commodity made bigger strides than the latter. Hence although India was in a strong position in the world's supply of hides and skins her export trade in tanned hides and skins reflected very poorly that position of strength.

Strikingly different from that of cotton goods and tanned hides and skins was the advance during the period of the Indian export trade in Jute goods. The figures of these will be surveyed in detail a little later. This striking advance is to be accounted for by the facts that (1) India had a monopoly of the world supply of jute (2) that jute goods consisting of bags and cloth were universally/

universally needed to move all sorts of raw material entering trade.

It would help to a fuller understanding of the Indian export trade in the major items of manufactured goods to make a brief study of the details of the trade in each of the three commodities.

I. The export trade in Jute Manufactures.

This commodity accounted in 1913-14 for 12% of the total export trade in merchandise of the country. (Review of the trade of India 1913-14 p.22). This item of the trade falls into the two main divisions of exports of Jute bags and of Jute cloth. The following table gives the figures of the quantities and values of the export trade in each of these items during the period.

Year.	Bags (Millions)	Value crores of Rupees.	Cloth Million yds.	Value in crores of Rupees.
1900-1	202.9	4.43	365.2	3.35
1901-2	230.1	4.72	418.6	3.89
1902-3	225.1	4.64	492.8	4.37
1903-4	206.2	4.56	552.3	4.84
1904-5	201.4	4.75	575.5	5.11
1905-6	233.3	6.07	658.6	6.3
1906.7	257.6	7.34	696.06	8.25
1907-8	293.02	8.47	789.8	9.69
1908-9	300.9	7.76	769.79	7.89

Year	Bags (Millions)	Value crores of Rupees.	Cloth Million yards.	Value in crores of Rupees
1909-10	364.3	8.6	940.1	8.43
1910-11	360.8	8.56	955.3	8.35
1911-12	289.7	7.57	871.4	8.34
1912-13	311.7	9.6	1021	13.0
1913-14	368.7	12.5	1061.1	15.6

(Figures from the Review of the Trade of India 1900 to 1914)

Roughly exports of Jute Bags have during the period 1900-1914 risen by 80% in quantity and their value has increased by 184%. On the other hand exports of Jute cloth increased by 190% in quantity and 368% in value. The greater increase in value of the exports as compared with the increase in the quantity of the exports can be accounted for by the general rise in prices reinforced in the case of these commodities by the element of monopoly in them. The disparity in the increase in the quantity of exports of Jute bags and Jute cloth is a very noticeable feature. The explanation of this has already been suggested. The tendency among the importing countries was generally to import raw material where as a result there would be profitable employment for home labour. Thus by a system of duties on the manufactured goods, while letting in the raw material free, they were able to shut out jute manufactures and import the raw material. Thus according to the Review of the Trade of India 1913-14 (p.22) while Indian exports of Jute manufactures accounted for 12% of India's total/

total exports of Merchandise, raw jute, accounted for 13% and right through the period exports of raw jute were larger in value than those of jute manufactures. On the other hand a comparison of production costs locally for coarse jute manufactures, with those of Indian mills, made it more profitable for countries like the United States of America to import the cloth and work it up into bags rather than import the raw material and spin and weave it. Under these conditions such countries levied heavy duties on bags and let in the cloth at a lighter rate. The Review of the Trade of India for 1907-8 refers to "the heavy import duty on Jute bags in the United States of America". (p.57) Again in countries like Australia, where labour was comparatively scarce, and industrialism in its infancy and labour costs comparatively high, it was found more profitable to import jute bags rather than either the raw material or the cloth and work them up locally. Accordingly the U.S.A. became the largest importer of jute cloth and Australia the largest importer of jute bags. In general the prevailing spirit of economic nationalism with its rooted prejudice against imports of manufactured goods and the fact that most of the countries of the world were old countries with heavy populations unlike Australia accounts for the greater increase of the export of jute/

jute cloth rather than of bags. Thus with the world demand for jute cloth being wider and larger than that for jute bags the jute cloth export trade was steadier and expanded without interruption in a way which was not true of the export trade in jute bags. The figures of the export trade in jute cloth shows that the trade expanded steadily from year to year except for a slight decline in the depression year 1908-9 and that in 1911-12 which was due to a rise in price. On the other hand the export trade in jute bags declined in quantity from 1902-3 to 1904-5, the factors contributing to this decline in order of importance were (1) the drought in Australia which was the largest buyer of jute bags (2) the rise in the price of jute bags as evidenced by the figures (3) the fact that the opening years of the period was one of depression of trade. In the depression year - 1908-9 - the trade was saved from a fall in the quantity of exports by the large fall in price. The fall in export quantities in 1911-12 was accounted for by the rise of price and thereafter even with a rise of price boom conditions helped the export trade in jute bags to large increases. The large increase in the export of bags in 1913-14 may be accounted for by general boom conditions and to the fact that "on October 3rd 1913 the United States/

States of America reduced the duty on bags, and baggings were allowed to enter free" (Review of the Trade of India 1913-14 p.23). Thus the greater liability of the export trade in jute bags to interruption is to be explained by (1) the large dependence on Australia, a country liable to drought as a buyer and (2) to the greater liability of the export trade in bags to be hit at by tariffs by the importing countries.

II. The Indian Export trade in Cotton Manufactures. 1900-1914.

The figures of the total value of exports of Indian cotton manufactures have been given already and need not be repeated here. These exports fall under the two divisions of exports of yarn and of cloth and during the period exports of the former were the more important from the point of view of value. The figures of quantities and values of these exports are given below.

Export of Cotton Manufactures.

Year.	Exports of Yarn in Million lbs.	Value in crores of Rupees.	Cloth in Million yards	Value in crures of Rupees.
1900-1	118.08	4.17	69.3	1.43
1901-2	272.4	9.31	72.6	1.42
1902-3	248.5	8.54	69.5	1.32
1903-4	252.4	8.84	75.8	1.48
1904-5	247.8	9.81	87.4	1.65
1905-6	297.6	12.38	91.9	1.86
1906-7	243.5	10.39	76.69	1.65

Year.	Exports of Yarn in Million lbs.	Value in crores of Rupees.	Cloth in Million yards.	Value in crores of Rupees.
1907-8	215.5	8.97	74.12	1.63
1908-9	235.46	9.68	77.9	1.70
1909-10	227.3	9.7	94.13	2.04
1910-11	183.4	8.62	99.79	2.20
1911-12	151.4	7.59	81.4	1.96
1912-13	203.9	9.91	86.5	2.09
1913-14	198	9.83	89.2	2.13

(Figures from the Review of the Trade of India.) 1900-1914).

This table makes it clear that quantitatively the export trade in cotton yarn declined during the period. The rise in prices helped to maintain the value of the trade from serious impairment. On the other hand the export trade in cotton cloth increased quantitatively by about 25% and also in value. Turning from the figures of export, to those of production in the country it will be seen that quantitatively the production of both yarn and cloth increased, though the latter showed a far greater rate of increase than the former The following are the figures of the production of cotton yarn and cloth in mills in India.

Production of Cotton Yarn and Cloth by Mills in India.

Year.	Production of Yarn in Million lbs.	Production of cloth in Million lbs.
1900-1	353	98.7
1901-2	573	119.6
1902-3	576.2	122.7
1903-4	578.7	138.04
1904-5	578.3	158.7
1905-6	680.9	163.8
1906-7	653.7	165.7
1907-8	638.29	189.05
1908-9	657.5	192.36
1909-10	627.3	228.7
1910-11	609.9	244.8
1911-12	625.03	266.6
1912-13	688.4	285.4
1913-14	683	274

(Figures from the Review of the Trade of India 1900-1914)

It is clear from these figures that the lack of strength of the export trade in cotton manufactures was in no way an index to any languishing of the Indian cotton mill industry, the quantity of whose output shows a definite advance. If the average of the production of yarn and cloth for the period 1896-7 to 1900-1 of the Indian cotton mill industry be taken as 100 for each, the index number of production for 1913-14 was 151 for yarn and 291 for cloth. The differences/

differences in the rate of the growth of looms and spindles in the Indian cotton mill industry explains the differences in the rate of growth of production of yarn and cloth.

	1900-1	1904-5	1907-8	1913-14
No. of Mills	194	206	227	214
No. of Looms	40,542	47,305	66,718	96,668
No. of Spindles	4,942,290	5,196,432	5,763,710	6,620,576

(Figures from the Statistical Abstract for British India for the period.)

The increase of interest of the Indian cotton mill industry in the production of cloth as against yarn can be explained by (1) the growing weakness of the China market for Indian yarn. How important the China market was for the Indian mill industry, and the lack of strength of that market in this respect can be seen from the following figures of total Indian yarn exports and exports to China during the period.

Exports of Yarn.

Year.	Total Indian Cotton. Yarn exports in Million lbs.	Exports of Indian Cotton Yarn to China in Million lbs.
1900-1	118.08	108
1901-2	272.4	260
1902-3	248.5	231
1903-4	252.4	235
1904-5	247.8	229.1

Year.	Total Indian Cotton Yarn exports in Million lbs.	Exports of Indian Cotton Yarn to China in Million lbs.
1905-6	297.6	282
1906-7	243.5	223
1907-8	215.5	160
1908-9	235.4	208
1909-10	227.3	200.3
1910-11	183.4	158.9
1911-12	151.4	129.2
1912-13	203.9	183.3
1913-14	198	177.9

(Figures from the Review of the Trade of India 1900-1914)

From this table it is obvious that (1) Indian exports of yarn were almost entirely determined by what China would take from year to year (2) the quantity of Indian yarn that China took from year to year varied very much as the result of famines, plagues and political disturbances. (3) In spite of wide variations in China's takings of Indian yarn it is clear that the quantity of it showed an unmistakeable tendency to decline. This was due as has been said to the increasing capture of the China yarn market by Japan and the growth of China's own spinnings of yarn. Writing in the Economist of the 4th January 1908 (p.9) on Japan's Commercial Expansion' Mr Masuda, the writer, says "Our exports of cotton yarn to China have grown from 6 million taels in 1897 to 20 million taels in 1903" and/

and he says further "Japan has £3,500,000 invested in spinning factories".

Another factor to be taken into reckoning in accounting for the change of interest of the Indian mill industry from yarn to cloth lay in the fact that, the early years of the 20th century were characterised by a furious speculation in cotton particularly in the United States of America which at the time produced 60% of the world supply of it. Now cotton yarn being more closely related to raw cotton, than cloth, was more liable to reflect the fluctuations of the price of the raw material than cloth which was more removed. Besides there was growing in India a movement for the preference of indigenous manufacture. Reference as early as the year 1906-7 is made to the fact of this movement by the Review of the Trade of India. The Indian mill industry met the situation recounted here by (1) an increasing production of cotton cloth than yarn and (2) by spinning yarn of ~~finer yarn~~ the higher counts to meet the internal needs of the Indian handloom weaver in place of the coarse spinnings for the China market. The net result was an increasing interest of the Indian cotton manufacturing industry in the home market. Evidence of this is found in the following percentages of the internal production of yarn and cloth retained for consumption in India.

Year	% of yarn production Retained for home consumption.	% of cloth production Retained for home consumption.
1900	53%	78.9%
1901	66.6	79.7
1902	52.6	82.3
1903	56.9	82.9
1904	56.4	83.5
1905	67.1	84.2
1906	56.3	83.7
1907	62.8	89.2
1908	66.3	90.9
1909	64.3	90.6
1910	65.8	90.3
1911	69.8	90.4
1912	75.8	96.4

(quoted from the Economist March 22, 1913, p.698)

The increasing quantities of the home production retained for home consumption should be expected to have reactions on the important import trade in cotton manufactures. This may be borne in mind while studying the import trade of India in cotton manufactures.

III. The Export in Tanned Hides and Skins.

What measure of strength the export trade in Tanned hides and skins imparted to the export trade in merchandise of India in general and to the export trade/

trade of India in manufactured goods in particular can be realised from the following figures of Exports of Raw and Tanned hides and skins. These figures are taken from the Imperial Institute Indian Trade Enquiry Report on Hides and Skins, pages 84 and 85.

Export of Hides and Skins from India.

Average Annual Exports in Cwts.

	1895-6 - 1899-1900	1900-1 - 1904-5	1905-6 - 1909-10	1910-11 - 1913-14
Raw H.	786,544	802,698	863,449	1030,445
Tanned H.	144,724	144,580	180,769	183,745
Raw S.	120,139	266,723	480,649	531,240
Tanned S.	194,693	159,545	142,787	139,181

These figures show that in the case of raw hides, exports at the beginning of the period were five times as much in weight as that of tanned hides and during the period while exports of raw hides increased by 240,000 cwt. those of tanned hides increased by barely 40,000 cwt. In the case of raw skins, exports, starting with 120,000 cwt. grew during the period to fully four times that quantity whereas tanned skins exports starting with 195,000 cwt. declined by the end of the period to 139,000 cwt. The values of Raw and Tanned hides and skins exports during the period are given in the following table:-

Values of Exports of Raw and Tanned Hides and Skins.

	Raw hides and skins in crores of Rupees	Tanned hides and skins in crores of Rupees.
1900-1	6.98 crores	4.5
1901-2	5.57	2.6
1902-3	5.53	2.88
1903-4	5.83	3.09
1904-5	7.65	2.84
1905-6	10.11	3.6
1906-7	10.89	4.4
1907-8	7.05	3.8
1908-9	8.33	4.1
1909-10	9.65	3.96
1910-11	8.99	4.08
1911-12	9.44	3.48
1912-13	11.73	4.6
1913-14	11.68	4.22

(Figures quoted from the Review of the Trade of India 1900-1914)

The opening year of the period was one of a heavy mortality of cattle and exports of both raw and tanned hides and skins was large. Export values fell away in the years immediately following. Up to 1903-4 exports of raw hides and skins were twice the value of tanned hides and skins. After this period appeared the duties in the importing countries on tanned hides and skins. The trade was also stimulated by the Russo-Japanese/

Russo-Japanese war and as a combined result the values of exports of raw hides and skins rose ~~very well~~ considerably while those of tanned hides and skins rose much less. As against the duties on tanned goods levied by the United States of America and Germany the home marked for tanned leather was at that time limited. In this connection the following evidence tendered by the Honble. Mr L.P. Watson before the Indian Industrial Commission is very instructive. The question was put to him "You say that the capacity of output of the tanneries in Bombay and Madras is far greater than the demand in normal times under existing fiscal condition. Do you mean that the trade is killed by foreign competition?"
Answer: "It is killed by foreign duties. England is practically the only buyer of Madras and Bombay tanned cow-hides for the sinple reason that other countries have imposed such heavy import duties on these that an export trade is rendered impossible".
Question: "The home market is a limited one and more than supplied".
Answer: "Yes".

(p.68, Minutes of Evidence - Indian Industrial Commission.)

This brings to a close the Survey of the main items of manufactured goods in the Indian export trade.

Section II. The Indian Export Trade in Raw Materials.

It has been seen that 80% of India's export trade in merchandise consists of exports of raw materials. This section deals with this trade in general and with the most important items of the trade in particular.

In enclosure No.1 appended to the Minute on the views of the Government of India on the question of Preferential Tariffs, (Cmd 1931 of 1904) Sir Edward Law referring to opium, indigo, myrabolanus, Mowra, jute, jute manufactures, teakwood, lac and til from among India's export commodities said (p.13) "In the production of most of the articles above scheduled India enjoys a practical if not an absolute monopoly and if foreign countries require them they must import them from India". Developments during 1900-1914, after Sir Edward Law wrote the Minute in 1904, made the Indian monopoly of indigo of very little value to the export trade. The changes that came over the export trade in indigo and opium may first be noted briefly, before passing on to a consideration of the commodities which showed outstanding strength for the export trade.

During 1906-7 the Chinese government came forward with proposals for the abolition of the opium trade. As a result, the International Opium Conference met at Shanghai/

Shanghai during 1908-9 and in May 1911 an agreement was arrived at to end the trade in less than seven years "if clear proof was given of the complete absence of production of native opium in China". Although as a result of this development the quantity of opium exported began to decline, the value on the other hand showed strength till the last year of the period when it gave way as the result of a steep decline in the quantity of exports. Thus for most of the period, 1900-1914, Opium, in spite of the agreement, continued to be a source of strength for the export trade. The figures of the trade show that the knowledge that exports of opium from India were due to stop and the ~~greater~~ speculation engendered thereby, caused the price of Indian opium to rise.

Exports of Opium.

	(1) Chests of Opium 1000 chests.	(2) Value in crores of Rupees.
1900-1	70	9.45
1901-2	66	8.5
1902-3	67	8.01
1903-4	74	10.4
1904-5	67	10.6
1905-6	63	9.4
1906-7	66	9.3
1907-8	64	8.6
1908-9	67	9.34

	Chests of Opium 1000 chests.	Value in crores of Rupees.
1909-10	56	9.31
1910-11	44	12.71
1911-12	38	13.08
1912-13	31	11.22
1913-14	12	3.42

(Figures from the Review of the Trade of India 1900 to 1914)

Another commodity which ceased to be of any strength to the Indian export trade was Indigo. Reference has already been made as to how the discovery of a cheaper synthetic dye (-Asiaticus, Economic Journal, June 1912) knocked the bottom out of India's export trade in the natural dye. The following figures of the trade show how complete was the blow dealt by the synthetic dye to the Indian trade in Indigo.

	Exports.	Value.
1895-6	187,337 cwt.	5.35 crores.
1900-01	102,491 "	2.13 "
1913-14	10,939 "	.21 "

(Figures quoted from the Review of the Trade of India for the years).

The chief of the items of Indian raw material export commodities which during this period were sources of real strength to the Indian Export trade were Raw Jute and Raw Cotton, Food grain, Tea, Oilseeds and Raw hides and skins/

skins. To a survey of the special features and details of the trade in these commodities the rest of the chapter on the Indian Export trade ~~will be~~ is devoted.

A. Raw Jute.

The commercial production of Jute is confined to India, the areas concerned being Bengal, Behar and Orissa, Assam, Cooch Behar and Nepal and this is due, as the Imperial economic Institutes Jute Enquiry Report states "to the fact that no country is so situated in regard to soil, climate, water and labour as to be ever able to compete with India in the raising of Jute". (Page 6) Thus, India has the monopoly of Jute supply and this monopoly is due to the failure on the part of many countries that have attempted it to discover suitable ~~artificial~~ substitutes at satisfactory prices. Thus Jute is not an absolute monopoly but a conditional monopoly the chief condition being price. Jute is a fibre in universal demand. Its principal use is in the manufacture of that vast quantity of coarse cloth, (the gunnies and Hessians of commerce) which is made up into bags and sacking necessary for the transport of the world's agriculturel produce. It also has other uses no less universal if of secondary importance. Jute fabrics of various qualities are employed in manufacturing carpets, rugs, matting, blankets and even for cheap/

cheap shirtings and table cloths formerly made from flax. Jute is also used in making twine, thread and cordage and in admixture with other fibres in making a large number of coarse fabrics, while jute waste is used in the manufacture of brown paper. Such uses imply a constant demand from every part of the civilized world for the material in its raw state,as well as for its manufactured products. From the principal uses to which the fibre is put, jute affords a rough barometer of the world's harvests and is therefore immediately sensitive to seasonal fluctuations from droughts or other material causes and in general to any circumstances whatsoever likely to lessen the production of foodstuffs or raw materials or to impede their unfettered transportation from one country to another. The period under review being singularly free from such disturbances on a big scale, saw the trade in raw and manufactured jute enter on a career of prosperity as indicated by the figures given below of total out-turn, export and value of export.

Indian Production and Export of Jute.

Year	Out-turn in Million Bales	Exports in Million Bales	Value of Exports. in Millions of £.
1900-1	6.5	3.4	7.2
1901-2	7.4	4.1	7.8
1902-3	6.5	3.6	7.4
1903-4	7.2	3.8	7.8
1904-5	7.4	3.6	7.9
1905-6	8.08	4.05	11.4
1906-7	9.12	4.5	17.8
1907-8	9.8	3.97	11.9
1908-9	6.39	4.6	13.2
1909-10	7.2	4.04	10.05
1910-11	7.9	3.5	10.3
1911-12	8.2	4.6	15.03
1912-13	9.8	4.9	18.03
1913-14	8.7	4.3	20.55

(Source:- Review of the Trade of India 1900-1914).

That the Jute trade was well provided with the stimulus of a rise in price is seen in the following figures of the annual average price of Jute first marks per bale of 400 lbs. at Calcutta. (Source:- Review of the Trade of India 1913-14, p.21).

Price of Jute 1900-1913. (Average Annual)

Year.	Price per bale of 400 lbs.
1900	£2: 5: 1
1904	2: 3: 7
1905	2:17: 8
1906	3:16: 8
1907	3: 7: 8
1908	2:12: 1
1909	2: 3: 5
1910	2: 8:11
1911	2:14: 2
1912	3:12: 4
1913	4:14: 8

(source:- p. 21, "Review of the Trade of India" 1913-14).

The increase in the exports of raw jute would during the period have been greater had it not been for the development of the Indian jute industry and the consequent increase in internal consumption. It is estimated that the Indian consumption of raw jute in 1900-1 was 2.5 million bales and 4.4 million bales in 1913-14. Apart from the trend during the period, of a general rise of prices, part of the rise in the price of jute had to be accounted for by an increase in the demand for the raw material. The Review of the Trade of India made the following estimates of the world demand of raw jute.

1904-5	7.5 million bales.
1906-7	8 million bales.
1911-12	8.5 to 9 million bales.
1913-14	10 million bales.

(Source:- Review of the Trade of India for the respective years under Jute).

Thus with Indian monopoly of the supply and an increase in world demand that was threatening to out-run the supply the increase in the volume and value of exports of raw jute are easily understood and the commodity was a source of great strength to the export trade during the period.

B. The Indian Export Trade in Raw Cotton.

The place and importance of raw cotton in the export trade of India can be realised from the following table of export quantities and values during the period. They are set down in bales of 400 lbs each and crores of Rupees.

Exports of Indian Cotton.

Year	Quantity in Million bales.	Value in crores of Rupees.	Percentage of Total Exports of Merchandise.
1900-1	1.02	10.12	9.7%
1901-2	1.62	14.42	11.5
1902-3	1.72	14.75	11.5
1903-4	2.26	24.37	16%
1904-5	1.58	17.43	11.2%
1905-6	2.071	21.34	13.5
1906-7	2.072	21.97	12.75
1907-8	2.397	25.70	14.5
1908-9	1.903	19.76	13.1
1909-10	2.511	31.27	16%

Year	Quantity in Million bales.	Value in crores of Rupees.	Percentage of Total Exports of Merchandise.
1910-11	2.432	35.10	12.2
1911-12	2.052	29.4	13%
1912-13	2.066	28.3	11.6
1913-14	2.975	40.9	16%

(source- "Review of the Trade of India" 1900-14).

The features disclosed by this table of Raw Cotton trade development during the period 1900-1914 are worth noting. Roughly between 1900-1 and 1913-14 the quantity of Indian raw cotton exports have nearly trebled themselves while their export values has quadrupled. The difference between the two is explained by the rise of cotton prices. The rise in the price of raw cotton is to be accounted for partly by the general rise of prices which has been enquired into earlier in this study, and partly by changes in the relative demand for and supply of raw cotton. The index to the change in demand lies (1) in the growth of world spindleage during the period. That was estimated at 105,574,135 in 1900 and rose to 143,332,000 in 1913. "Since 1909 the world's consumption of raw cotton has increased at the rate of almost a million bales per annum". (Economist July 4th 1914, p.11.) and the world's cotton production has grown from a supply of 17,300,000 bales in 1902-3 to 25,968,000 bales in 1913-14 (J.A. Todd - The Cotton World p.3). Even so the position during the period was one in which "the world's consumption of cotton is continually tending to exceed the supply" (Review of the Trade of India 1913-14, p.14).

The world's supply of cotton is made up of (a) the American supply which accounts for approximately 60%. (b) the Indian which is about 20%, (c) the Egyptian which contributes about 6%, (d) the rest. From the point of view of length of staple and fineness the order of importance is Egyptian, American and Indian. On the whole this order represents the true position though some American cotton is supposed to be as fine and as long in staple as the best Egyptian.

The fact that raw cotton can be carried over long distances at very low cost has tended to the creation of a unified and very sensitive world cotton market. Largely as a matter of economy of production every cotton manufacturing industry turns to its nearest supply for its cotton. Thus Continental Europe and the United Kingdom which produce no cotton look to the American and Egyptian supply mainly, the U.S.A. to its own, and Japan to India and India and Egypt mainly to their own supplies. Now if every cotton industry in each country had spindles specialised to one kind of cotton only the world's cotton market might have been expected to divide itself into water-tight divisions each affected by the forces of its own demand and supply and uninfluenced by the others. In that case the prices of the different kinds of cotton should have gone their own way and shown no common movements. The fact that the cotton supply/

supply of each prominent producer of cotton has supplies of the different lengths of the fibre long, middling and short and the fact also of a shortage of the American supply for export has increasingly led cotton industries to substitute one kind of cotton for another on a price basis and even to mix their cotton has tended to prevent the appearance of these water-tight divisions of the cotton market and has helped to unify the cotton market into a very sensitive whole. The outstanding example of a country that substitutes and mixes its cotton in manufacture is Japan. In his book "Cotton goes to market" - A.L. Garside writes thus (p.127) "here to an extent not approached in any other part of the world American competition meets the test of competition with other growths, especially Indian on both a price and quality basis. This competition grows out of the facts that Japan lies midway between the U.S.A. and India, it makes largely a class of goods in which American and Indian cotton can be mixed in varying proportions and its machinery is adapted to the use of either of them or mixtures of them". The Factors influencing the price of cotton are many. The crop is the basic supply factor. Mill consumption is the basic demand factor. The crop is subject to greater fluctuations than consumption and the size of the crop is determined chiefly by growing conditions that develop within a few months in the middle/

middle of the growing season. Hence crop developments are usually the chief price affecting influences in the crop growing period while consumption developments are usually of most importance during the rest of the year. At all times monetary or general trade developments may be of vital importance for they may reflect changes in the commodity value of money and in general buying power.

Now if the demand for and supply of each kind of cotton equated, the differences in the resulting prices of the different kinds of cotton should measure the difference of their quality only and no more.

In a world of change and flux and with the variation of output of cotton such a situation is too much to ask and actually the percentage of the price of Indian cotton on American which dominates the cotton market either is more than or less than the percentage warranted by the difference of quality. What it at any time will be depends on the relation in India of internal supply and demand ~~and~~ in relation to the rest of the world's supply and demand. The resulting position can be inferred from the following table of the annual average prices of Middling American and Indian No.1 fine oomrah and the percentage of the price of the latter on the former.

Prices of Cotton per lb. in d. at Liverpool

	Middling American.	India No.1 Fine Oomrah.	Percentage of the price of the second on the first.
1900-01	5.16	4.37	85%
1901-02	4.78	4.19	88%
1902-03	5.46	4.47	92
1903-4	6.94	5.56	80
1904-5	4.91	4.62	94
1905-6	5.95	5.00	84
1906-7	6.38	4.87	76
1907-8	6.19	5.03	81
1908-9	5.50	4.94	90
1909-10	7.86	6.31	80
1910-11	7.84	7.03	90
1911-12	6.09	5.63	93
1912-13	6.76	6.16	91
1913-14	7.26	5.88	81

(Source:- J.A. Todd 'the Cotton World' p.29)

It will be seen that the percentage of average annual price of Indian over American cotton has during the period varied between 94 and 76 a difference of 18 points. The low percentage of 76 in 1906-7 is accounted for thus by the Review of the Trade of India for that year (p.47). "In England the consumption of raw cotton in 1906 exceeded that in 1905 by some 370,000 cwt. or 2.2%. In India there was a considerable decline of activity more particularly in the later months. The/

The Mill consumption fell by nearly 285,000 cwt. from 7,234,800 to 6,948,000 cwt.... The decline in Japan's purchases is one of 22% but her total imports of raw cotton declined by some 28%."

The position then may be summed up thus. If the Indian demand is weak in its relation to the supply the price of cotton in India tends to be low and the resultant price of Indian cotton would represent a comparatively low percentage of the price of American cotton if the demand for the latter in relation to its supply be strong. If that be so, external consumers of cotton substituting Indian cotton for other because of the advantage of price, would create a demand for Indian cotton which would result in increased exports and raise the price of Indian cotton and weaken the demand for American and thus the percentage that the Indian price would bear to the price of American cotton would tend to rise. On the other hand if as the result of a strong demand in India for cotton in relation to the home supply the price of Indian cotton bears a high percentage to the price of American, the Indian Mill Manager might find it to his advantage to import American rather than buy Indian cotton especially if he wants to spin finer yarns. For example imports of raw cotton into India rose in 1912-13 to the highest figure of the period namely 548,071 cwt. If the Review of the Trade of India for that year says "that it is symptomatic of the trend of the Indian industry towards finer/

finer products. It has of course been stimulated by the relatively high prices current for good Indian cottons" (p.25) The relative prices of American and Indian cotton for the year were the following.

	American in Liverpool	Broach in Bombay.
Opening	6.23d	5.85
Highest	7.44	7.02
Lowest	6.09	5.51
Closing	6.99	6.78
Average	6.75	6.27

"the approximation of the Broach price to that for American is closer than ever. There is usually a close relation between home prices for American cotton and those in Bombay for Indian cotton. In both cases the price ruled strong till August then dropped for a time and began a fresh advance in November which has been more or less maintained. But whereas in American cotton the highest level was reached in December, the renewed advance in Indian cotton continued almost up to the end of the financial year". (p.48)

Looking at the list of cotton prices and parities it will be seen that the price of American and Indian move in the same direction generally which is an index to the world cotton market being a unified and sensitive whole. The American price is higher than Indian because American cotton is superior and long in staple and/

and Indian is short. It is only in the year 1906-7 that while the American price rose the Indian fell and this unusual movement in different directions has been explained. Lastly it has been seen that in the latter part of the 1900-1914 period the percentage borne by the price of Indian cotton to American has been high. That bespeaks changing relative position as between the demand for and supply of Indian cotton and that for American. The index to that is provided by the following table of index numbers of looms in India, Japan, Italy, U.S.A. and Great Britain.

Estimated Number of Looms in India, Japan, Italy, U.S.A. and Great Britain during 1909-1913. 1913 = 100

	India	Japan	Italy Spindles	U.S.A. Loom.	Great Britain.
1909	82	57	87	98	92
1910	88	73	91	-	92
1911	91	84	92	-	94
1912	95	90	101	-	98
1913	100	100	100	100	100

(Source:- Daniels & Jewkes - The Post War depression in the Lancashire Cotton Industry. Table IX p.165 Part II J.R.S.S. 1928).

The greater activity and therefore demand of India and Japan who use mainly Indian cotton compared to the advance in the U.S.A. and Great Britain is clear here.

C. The Indian Export Trade in Food Grains.

The export trade under this item falls in order of importance into the divisions of (a) the export trade in Rice (b) the export trade in Wheat and (c) the export trade in other food grains. On this study it is proposed to deal with only the first two divisions, that is the export trade in rice and wheat.

For a country of the population of India the production of food grains is very important. Food grains take up the largest portion of the acreage under cultivation.. This of course is a permanent feature of the Indian economy. According to the Report of the Progress and Condition of India for 1913-14 (page 45) out of a total cultivated area of 212.5 million acres which includes the area cropped more than once, fully 163 million acres were devoted to the cultivation of food grains.

Of these Rice is out and away the most important item. India during the period stood in the position of being the biggest producer, consumer and exporter of Rice. The Review of the Trade of India for 1913-14 on page 16 says "India's share of the world's production was no less than 46%. The Imperial Institute's Trade Inquiry Report on Rice (p.36) gives the world's exported surplus of Rice as approximately 5.1 million tons in 1913-14 and India accounted for 2.6 million tons of them. The area under rice in India according/

according to the Statistical Abstract for British India was 69 million acres in 1900-01 and rose to 77 million acres in 1913-14. The production of rice during the period rose from 20.7 million tons in 1900-1 to 30 million tons in 1911-12 and 28 million tons in 1913-14. In the light of these figures it is interesting to consider the figures of the quantities and values of India's Rice exports. According to the Review of the Trade of India for 1913-14 "exports of rice were nearly 9% of the total estimated production".

Exports of Rice.

Year.	Exports in Million tons.	Value in crores of Rupees.
1900-1	1.5	13.14
1901-2	1.887	13.84
1902-3	2.35	18.78
1903-4	2.22	18.95
1904-5	2.44	19.45
1905-6	2.15	18.63
1906-7	1.93	18.52
1907-8	1.915	20.33
1908-9	1.5	15.88
1909-10	1.96	18.24
1910-11	2.4	23.23
1911-12	2.62	29.05
1912-13	2.76	32.55
1913-14	2.45	26.63

(Review of the Trade of India 1900-1 to 1913-14).

Remembering that 1900-1 was a famine year and in the case of rice the tendency to replenish stocks would affect the export trade of the years immediately following, it would be preferable for purposes of the study of the trend of the Rice trade to choose 1903-4 as the normal year in the light of which to study the movements of the trade. The features revealed by the figures may be set down as follows:- (1) Quantitatively the export trade has not shown any serious advance. In fact it has just maintained itself. (2) From the point of export value the trade has shown much better advance which is explained by the general rise in prices and the rise of Rice prices in particular. For e.g. in 1904-5 the quantity exported was 2.44 million tons and was valued at 19.45 crores. In 1910-11 exports amounted to 2.4 million tons but value soared to 23.23 crores and in 1913-14 exports were about the same, being 2.45 million tons but export values rose to 26.63 crores of Rupees. (3) Quantitatively the export trade has been erratic. For example e.g. from 1905-6 right up to 1909-10 was a period when the export trade in rice export quantities showed weakness. That weakness was in the earlier part of the period due to a rise in the price of food grains internally which narrowed the margin between the internal and the export price and thus reduced the inducement to export. It was due to a period of good crops, growing prosperity and increased consumption.

1907/

1907 was one of failure of crops and the year following the crop was not very good, a depression settled on the world and these conditions reinforced the forces making for a weakness of the export trade. Recovery began in 1910-11 with good export prices and with a fall in the internal price of food grains. The following index numbers of internal retail prices of food grains explains the weakness of the export trade.

Index Numbers of Prices.

	(a) Of articles consumed or exported.	(b) Index Number for food grains (Retail prices)
1873	100	100
1902	113	141
1903	103	126
1904	104	117
1905	116	147
1906	139	129
1907	145	180
1908	151	231
1909	133	195
1910	127	168
1911	136	161
1912	145	189
1913	154	199

(p. 118 Progress and Condition of India 1913-14)

Most/

Most of India's exports of Rice are from Burma. Burma's share of the export trade of India in Rice was during the period as follows:-

Percentage of share of Burma in the Indian Export Trade in Rice.

1905-6	73.3%
1906-7	73.4
1907-8	76.4
1908-9	72.4
1909-10	75.2
1910-11	76.5
1911-12	73.4
1912-13	74.5
1913-14	75.5

(Review of the Trade of India 1905-6 to 1913-14).

This is so because although "Burma is far from being the largest producer of rice, as its production is on an average not more than one-sixth of the production of Bengal and little if anything greater than Madras, she retains for home consumption less than one-fifth of her crop and exports the remainder to India and foreign countries, the amount of the exports to foreign countries being directly dependent on the state of the Indian demand". (Review of the Trade of India 1903-4, p.20). The weakness of the Indian export trade in Rice can be understood in the light of the following figures of the export of Burma Rice to India.

The Export of Burma Rice to India.

1903-4	195,000 tons
1904-5	301,000 "
1905-6	460,000 "
1906-7	813,000 "
1907-8	979,000 "
1908-9	1,157,000 "
1909-10	1,038,000 "
1910-11	611,550 "
1911-12	245,000 "
1912-13	266,000 "
1913-14	899,000 "

(Figures from the Review of the Trade of India for the period)

According to the Imperial Institute's Indian Trade Inquiry Report on Rice, the rice trade of the world falls into two great branches "the Far Eastern requiring a cheap rice for feeding the native population and the Western branch requiring large quantities of medium quality rice and much smaller quantities of high quality rice". Rice is chiefly employed the world over as food but a certain amount is used for industrial purposes either merely ground for use as a size in the textile industry or converted into starch. Considerable quantities are also used in brewing beer especially in Germany and Austria. The three major rice exporting countries are India, Siam and Indo China and these three countries in 1913 accounted for 94% of the world's exported/

exported surplus and India accounted for 53% of this. Indian rice is exported to every part of the globe and during the period under review the export trade was more affected by conditions in India than by external demand since India was the biggest consumer of Rice. The factors affecting the export trade during the period may be set down as follows.

A diminishing of India's exports of rice may be caused by (a) a short crop. A shortage in any province of India usually leads to a diversion of Burma's surplus to India. The figures bearing this out have been given already.

(b) a shortage of other food crops for which rice may be substituted. The chief crop in this connection was the wheat crop.

(c) exceptional prosperity and enhanced consuming and holding power among cultivations of crops other than food grains as for e.g. among cultivators of Jute in Bengal. "If we accept the lowest estimate of average consumption of Rice per head (i.e. ½ ser = 1.03 lb) and assume that the increased consumption or reservation by the 50,722,000 of population in Bengal alone amounts to only one-hundredth part of such average consumption, the total withdrawal from visible supply on account of the one province alone would amount to about 84,500 tons". (Review of the Trade of India 1906-7, p.35).

(d)/

(d) a disposition of cultivators to substitute specially profitable crops for rice. "The chief feature of the Indian rice trade in the year was the continued shortage of crops in Bengal (a province responsible in a season of good rainfall for more than a third of the total out-turn) chiefly due to an adverse season but also in part to a contraction of acreage in consequence of the temptation offered by the high price of Jute in the sowing season to grow that crop in preference". (Review of the Trade of India 1907-8, p.33).

To sum up then, as the chief supplier of Rice to the world market India was in a strong position in the rice trade. The world demand for rice was strong during this period and Indian rice was widely distributed all over the globe by the export trade. As India is herself the largest consumer of Rice in the world the export trade in rice did not advance strikingly in quantity but it did in value and on the whole rice was a source of increasing strength to the export trade during the period.

Indian Export Trade in Wheat.

During the period, with the increasing population of the great industrial states of Europe and the increasing expenditure of their working classes, the problem of the world's wheat supply became an increasingly important one. During the last quarter of the 19th century the U.S.A./

U.S.A. was the main exporter of wheat and during these years wheat prices mainly depended upon the conditions of the American wheat crop. At the close of the 19th century however the increased demand in the U.S.A. and the competition there of other crops such as the sugar-beet which was artificially fostered by the tariff, made the large surplus crops of the seventies and eighties almost impossible. Besides attempted corners in wheat at the close of the century the U.S.A. sent wheat prices soaring. The shortage and the attempted corners combined, broke the ascendancy of the U.S.A. in the European market by stimulating the production of other sources of supply the chief of which came to be Russia, the Argentine, Australia, Canada and India.

Wheat is an uncertain crop generally and exports from each of the new sources were liable to wide fluctuations from various causes and therefore not readily to be depended upon. For e.g. the figures of wheat exports to Great Britain from Australia as affected by the drought of 1900-2 make this clear.

British Imports from Australia (Wheat).

1902	-	2,072,766 cwt.
1903	-	30 cwt.

Indian exports showed the following fluctuations

1899	-	8,192,200 cwt.
1900	-	9,400 cwt.

Similarly/

Similarly the Argentine crop was subject to locust invasion and the Canadian crop to exceedingly erratic weather. In spite of this the sources of wheat exports during this period were so many that sowing took place in every month of the year and a shortage in European harvests was apparent early enough to influence the acreage put under wheat elsewhere. The effect of this on wheat prices was that whereas prior to 1898 they showed big fluctuations, since that date they have been remarkably steady though with an upward trend.

It is on this background that the Indian wheat export trade during the period has to be considered. The world's wheat supply and average gazette price of wheat during the period were as follows.

	World's Wheat supply.	Average Gazette price of Wheat per quarter London.
1900	319.4 million quarters	26/11d
1901	356.4 " "	26/9
1902	387 " "	28/1
1903	396.8 " "	26/9
1904	368.1 " "	28/4
1905	422.7 " "	29/8
1906	431.8 " "	28/3
1907	403.3 " "	30/7
1908	413.2 " "	32/-
1909	464.4 " "	36/10
1910	470.9 " "	31/8
1911	489.1 " "	31/8
1912	498.7 " "	34/9
1913	515.3 " "	31/8

(Dornbusch's list, compiled from the Economist 1900-1914).
From the figures in this list, it is clear that while the world's supply of wheat steadily grew during the period the price of wheat also showed an upward trend which is an index partly to the general rise of prices and partly to the growth of the demand for wheat.

Until the Suez Canal was opened and the export duty was abolished little wheat was exported from India, the mean of the five years ending 1872-1873 being only 16,000 tons. Between 1900-1914 the area under wheat rose from roughly 24 million acres in 1900 to 30 million acres in 1914. The following figures indicate the wheat production and exports of India.

Indian Wheat Production and Exports.

Year	Wheat production	Exports	Value in crores.
1900-1	7.09 million tons	2,500 tons	.38
1901-2	6.06 " "	366,091	3.62
1902-3	7.97 " "	514,607	4.98
1903-4	9.6 " "	1,295,565	11.08
1904-5	7.58 " "	2,150,025	17.9
1905-6	8.57 " "	937,523	8.5
1906-7	8.49 " "	801,445	7.2
1907-8	6.10 " "	880,459	8.58
1908-9	7.59 " "	110,000	1.34
1909-10	9.63 " "	1,050,574	12.7
1910-11	10.06: " "	1,266,000	12.95
1911-12	9.9 " "	1,361,000	13.34
1912-13	9.8 " "	1,660,000	17.7
1913-14	8.4 " "	1,202,000	13.22

(Figures from the Review of the Trade of India - 1900-1 to 1913-14.

The features of the wheat trade contained in this table of figures are well worth giving a little attention. Wheat production in the country during the period varied in quantity between 6 million tons, the lowest quantity produced which was in the year 1901-2 and 10 million tons, the highest, in 1910-11. Wheat exports on the other hand varied between much wider limits the lowest quantity of exports being 2500 tons in 1900-01 and the highest 2.1 million tons in 1904-5. Yet the difference in the quantity of wheat production between these two years was no more than half a million tons! In view of this it is worth while to consider the factors influencing the export trade in wheat. The wheat exports of a statistical year are drawn from the production of the year before it and therefore have to be referred to it and not to the production of the same year. As a matter of ~~fact~~ Trade, exports of wheat depend on the difference between the internal and the external price of wheat. Europe is the biggest market for wheat and as most of India's exports of wheat go to the United Kingdom a good export trade in wheat for India depends on the margin between Indian and United Kingdom price of wheat. This margin must cover the cost of transport to the port from up country and the freight overseas and leave a profit and the larger the profit the greater will be the quantity exported. For a large export trade in wheat from India, the Indian and the United/

United Kingdom price of wheat have to work in opposite directions, the former being low and the latter high. The conditions so faras India is concerned of a low price of wheat ruling may be set down as consisting of (1) a good crop of wheat in the previous year, (2) good crops of other food grains, (3) good crops of both for a number of years previously. A good crop of wheat in the previous year does not guarantee good exports. If the crop of other food grains has not been good the rise in their price would cause the price of wheat in the country to rise also and narrow the margin. Once again a good crop of wheat in the previous year cannot guarantee good exports if in the immediate past there have been short crops of wheat, for then the replenishing of exhausted stores in addition to actual consumption would tend to keep internal wheat prices up. Thus a good export trade in wheat in a year depends on a good crop of wheat and of other food grains at the time, and good crops of wheat for two or three years before that: this is essential for keeping wheat prices down.

If now attention is given to the table of figures of exports and production an attempt may be made to see how far that table bears out the argument of the factors stated above as conditioning the export trade in wheat. As a further help the index numbers of the annual average price of wheat in India and in the United Kingdom are set down.

Index Numbers of Annual Average Wheat Prices.

India Official 1873 = 100		United Kingdom. Statist. 1866-67 = 100.	
	Delhi. No.1 Pessy per cwt.	American	per quarter.
1900	115	1873	113
1901	86		
1902	95		
1903	85		
1904	84		
1905	82	1905	61
1906	100	1906	58
1907	87	1907	64
1908	127	1908	67
1909	106	1909	74
1910	110	1910	65
1911	95	1911	63
1912	103	1912	68
1913	107	1913	65
1914	114	1914	72

(Statistical Abstract for British India) (J.R.S.S. p.640 July 1920.)

To look now at the figures of production and Trade. 1899-1900 was a year of failure of crops and famine and exports of wheat in 1900-01 got reduced to 2500 tons valued at .38 crores. The index number of wheat prices was as high as 115 in 1900. Thereafter there was a steady increase of wheat exports from the low figure of 1900-01 till the highest export quantity of the/

the period 1900-1914 was reached in 1904-5 of 2.1 million tons valued at 17.9 crores of Rupees. The crop from which the exports of 1905-6 were drawn was that of the year 1904-5 and it was short of the one previous to it by 2 million tons and hence a fall in the quantity exported. In any case a concatenation of very favourable circumstances should have been necessary to exceed the 2.1 million tons level of wheat exports. With the 1904-5 wheat crop being short by 2 million tons a falling off in the quantity of exports in 1905-6 was very natural. The crops of the years 1905-6 and 1906-7 improved by a million tons and its effect is seen in the improvement in the exports of 1907-8 over that of 1906-7. What made the improvement in the export trade comparatively small was the rise in price for the Indian index number of the price of wheat shot up from 82 in 1905 to 100 in 1906 whereas the United Kingdom index number of wheat prices fell by 3 points. 1907 was a year of failure of crops. The wheat crop declined from 8.5 million tons in 1906-7 to 6.1 million tons in 1907-8. The wheat index number shot up between 1907 and 1908 from 87 to 127, a rise of 40 points and exports fell to as low as 110,000 tons. Thereafter with good crops and prices falling off from the high level of 1908 the export trade steadily recovered but did not recover to get anywhere near the exports of 2.1 million tons of 1904-5.

In 1910 India was estimated to have one ninth of the/

the world's acreage under wheat and her crop was estimated at one eleventh of the world's total (Economist May 14th 1910 p.1065). The Review of the Trade of India for 1913-14 (page 18) says "India produces 10% of the world's wheat. Although India's position in the world's wheat market is not one of very great strength, she has one advantage which is that the Indian wheat crop comes to the market in the interval between the antipodean harvests of South America and Australia and those of northern latitudes". That is a time when the United Kingdom market is nearly bare and Indian wheat arriving on a bare market is able to command good prices. The following table of monthly exports of wheat from India and wheat prices in Karachi and London show the state of the United Kingdom market during the summer months of 1909-10 and the Indian export trade then.

Month	Indian Wheat Exports.	Prices per quarter Karachi.	Price per quarter London.
April	20,063 tons	36/9	36/5
May	93,806 "	38/-	42/5
June	232,691 "	35/9	43/1
July	277,404 "	37/-	42/9
August	174,104 "	36/-	44/9
September	22,026 "	34/6	38/5
October	37,280 "	33/6	32/2
November	35,968 "	33/3	32/2
December	31,940 "	34/-	32/5
January	55,720 "	34/9	33/3
February	17,057 "	34/9	33/6
March	52,517 "	32/9	32/7

(quoted from the Review of the Trade of India 1909-10 p.44).

IV Indian Export Trade in Tea. 1900-1914.

Tea was during the period under review decidedly a source of strength to the Indian export trade and the figures of values bear this out very well.

Year	Value	Average price per lb. Public Auction Calcutta.
1900-1	9.55 crores	7/11
1901-2	8.14	-
1902-3	7.36	-
1903-4	8.55	5/10
1904-5	8.46	5/4
1905-6	8.84	5/4
1906-7	9.85	5/5
1907-8	10.30	6/11
1908-9	10.39	6/-
1909-10	11.70	6/10
1910-11	12.41	7/0¾
1911-12	12.94	7/7
1912-13	13.29	7/1
1913-14	14.97	7/9

(Figures from the Review of the Trade of India).

Tea imports into the United Kingdom were during the latter part of the 19th century drawn from China, India and Ceylon in the following proportions.

Year	China	India	Ceylon
1865	93%	2%	0%
1875	86%	13%	0%
1885	66%	30%	2%
1895	16%	46%	32%
1902	6%	54%	36%

(quoted from Progress and Condition of India 1903-4 p.112).

Difficulties having arisen with China in the course of the 19th century the British government interested the East India Company in an effort to produce Tea in India. (Cotton - Handbook of Commercial Information for India p.203). Experimental plantations were started by government at its own cost and in due course, when the industry was established they were sold to private companies. British Companies with sterling capital were induced to take up work and special concessions were granted to tea planters. In 1903 a tea cess of ¼ pice per lb of tea exported was levied at the request of the planters and the sum was given to the Tea Cess Committee for research towards improving the quality of Indian tea and opening up of new markets.

The area under Tea in India rose from 522,000 acres in 1900 to 610,000 acres in 1913-14. (Material and Moral Progress and Condition of India 1913-14, p.47). The bulk of this acreage was in Bengal and Assam Tea was produced in India entirely for export. The following table gives the figures of production and export in million lbs.

Year	Production	Exports
1900-1	197.2 million lb.	190.3
1901-2	191.3	179.68
1902-3	188.58	181.4
1903-4	209.4	207.15
1904-5	222.2	211.88
1905-6	222.36	214.2
1906-7	241.4	233.6
1907-8	248.02	227.02
1908-9	247.47	233.96
1909-10	258.3	249.4
1910-11	263.6	254.3
1911-12	268.8	260.77
1912-13	296.3	278.5
1913-14	305	289.47

(Figures from the Review of the Trade of India 1900-1914).

At the commencement of the period the Tea trade was in a depressed condition. The imposition of an additional 2d per lb. of duty on tea in 1900 in the United Kingdom was not calculated to improve the position. There was besides the competition of Ceylon, Java and China tea. It was clear that the way out of the depressed state of the Indian tea trade lay in the direction of improving its quality and finding new markets for it and making Tea production more scientific and economic. An Indian market expansion commission was set up which concluded/

concluded its labours in 1904. By all these efforts it was sought to improve Indian Tea exports to foreign and colonial markets and increase the consumption of Tea in India. Between 1896 and 1900 the annual average of Tea exports to foreign and colonial markets was 14 million lbs. In 1903-4 it rose to 37 million lbs. and to 44 million lbs. in the next year. In 1906 there was a reduction of the import duty in the United Kingdom by 1d: with 1906 the period of falling prices came to an end. The period from that year was one of increasing world consumption of tea. Promising export markets had been created in Australia, Canada, the Continent of Europe and Russia in addition to the main market - the United Kingdom. In the United Kingdom the consumption of tea was greatly stimulated from after 1909 by Old Age Pensions, the Temperance Movement and the increased duty on intoxicants. Thus there resulted a situation from 1910 which was stated thus: "the consumption of Tea has increased enormously of late years while production though it has increased has not grown to anything like the same extent" (Economist p.946 Nov. 4th 1911). The period closed with a season which was described by Messrs Thomas & Co. "as one of the best ever known from the producer's point of view . The out-turn was a record one and the average price the highest for about 20 years. Moreover consumption out-stripped even the record crop. The increased consumption was world wide". (quoted from the Review of the Trade of India 1913-14).

Export Trade in Seeds 1900-1914.

Another major item of the export trade in raw material and one that was a source of strength to the export trade during the period was seeds. The following figures of export quantities and values bear this out.

Year	Quantity in million cwt.	Value in Crores of Rupees.	Index Numbers of Oilseed Wholesale (Manchester and London) prices 1901-5 = 100	
1900-1	10.99	9.01	1901	116
1901-2	22.98	16.77	1902	106
1902-3	22.19	14.88	1903	92
1903-4	24.68	14.51	1904	77
1904-5	26.87	14.41	1905	67
1905-6	17.57	10.61	1906	82
1906-7	19.73	13.01	1907	97
1907-8	23.18	16.81	1908	103
1908-9	16.24	11.67	1909	98
1909-10	27.68	18.72	1910	111
1910-11	31.43	25.12	1911	130
1911-12	30.01	26.94	1912	137
1912-13	24.53	22.75	1913	106
1913-14	31.65	25.2	1914	105

(Figures of Export quantities and Values quoted from the Review of the Trade of India. 1900-1914. Index Number of Oilseeds Wholesale prices quoted from the Economist Feb. 15th 1918, p.183)

The figures given above are the total of all seed exports which includes a very small quantity of non-oil seeds. Setting this aside the oil-seeds trade which is the overwhelming bulk under this head may be considered here. The importance of the trade in oil-seeds lay in the increasing use to which they came to be put. A great part of the oil seeds of commerce is used for the extraction of oil or fat which is refined for use in the edible-fat industry and the proportion so used tended steadily to increase during the period. No less important is the use of oils and fats in the manufacture of soap in the course of which glycerine is obtained as a by-product. Drying oils such as those of linseed and poppy seed are largely used in the varnish and paint industries. Oilcake and meals left after the extraction of oils constitute an asset of increasing importance as food for feeding cattle and are therefore indirectly of great importance as food for human beings.

The most important Indian oil-seeds are copra and mowra seed yielding solid fats; cotton, sesame, castor, rape and ground nuts yielding liquid non-drying oils and linseed, poppy and niger yielding liquid drying oils. The Imperial Institute's Indian Trade Enquiry Report on Oilseeds made the following estimate of the strength of India as a supplier for the world market in oilseeds.

Name of Seed.	World's Estimated Exported surplus 1913.	India's Exported surplus. 1913.	Percentage of India's to the World's exported surplus.
	tons.	tons.	
Copra	537,000	38,000	7%
Mowra seed	-	33,000	100%
Cotton seed	900,000	284,000	31%
Sesame seed	264,000	112,000	42%
Castor seed	137,000	135,000	98%
Rape seed	385,000	249,000	65%
Ground nuts	780,000	383,000	45%
Linseed	2,150,000	414,000	20%
Niger seed	-	4,000	100%

(Quoted from page 4.)

It will be seen from this that India had the monopoly of the exports of Mowra, Castor seed and Niger seed. That these seeds were not the most important from the point of value of the Indian export trade in oilseeds may be realised from the following figures of export values of oilseeds individually.

Export Value.

Name.	1904-5	1913-14.	Percentage shares
Linseed	£4,220,000	£4,458,000	25.7
Ground nuts	£647,000	£3,254,000	19
Rape seed	£1,820,000	£2,852,000	16.7
Sesame	£1,160,000	£1,796,000	10.5
Cotton seed	£413,000	£1,417,000	8.3
Castor seed	£460,000	£1,337,000	7.8
Copra	£127,000	£1,040,000	6.4
Mowra	£207,000	£364,000	others = 5.9
Poppy	£520,000	£311,000	

(Figures from the Review of the Trade of India 1913-14 p.26).

It is clear from this that it is not the oil seeds in which India had more or less the monopoly of exports during the period but those in which Indian exports were but a part and a part only of world total exports that were really of importance from the point of view of value to the export trade.

During the period under review there was a brisk demand for oil seeds and most of India's exports went to Europe. Under the circumstances demand hardly affected the dimensions of the trade. The trade however was affected by the nature and success of the season in India. The oil-seed crop depends on very uncertain conditions of rainfall for the necessary moisture in the soil at sowing time and for the principal varieties on showers during growth. Consequently the oil-seed trade, like that of wheat, is subject to wide fluctuations from year to year. Then again India exports a large variety of oil-seeds. Some of these like linseed, during the period, were produced entirely for export. For e.g. the production of 1910-11 from which the exports of 1911-12 were drawn amounted to 563,600 tons and the exports of 1911-12 ran up to 522,000 tons. (Review of the Trade of India 1911-12). Thus only 6% of the linseed crop is retained in the country. Linseed exports may thus be expected and did in fact during the period show wide fluctuations/

fluctuations. On the other hand Rape seed, Sesame, Ground nuts and Cotton seed are mostly consumed in the country. The percentage of exports to production in 1911-12 of Rape seed was 20, of Sesamine 23 and Cotton seed 17% and the fluctuations in the export of these was smaller because of this and because of the fact that the production in many but not all was much smaller than that of Linseed.

The general run of the export trade in oil-seeds may here be briefly examined before considering the individual items of the trade. The opening year of the period bears unmistakeably the marks of the crop failure. Export values however were partly redeemed by high prices as the index number discloses. Thereafter the crops being good export quantities recovered but export values receded because it was a period of falling prices. In 1905-6 there was a big decline in the oil-seed export due mainly to the partial failure of the linseed crop and low prices. Thereafter the trade recovered except for the general depression of 1908-9. The closing years of the period was one of advancing quantities though it must be said that prices in the case of oil-seeds did not show the resilience that other raw material prices tended to show during the period.

To make a brief inquiry into the individual items/

items of the oil-seeds export trade. The export trade in ground nuts was one that during the period grew unmistakeably in volume and gathered great strength. The following table of export quantities and values bears this out.

Exports of Ground Nuts.

Year	Quantity in 1000 cwt.	Value in £1,000.
1900-1	232	109
1901-2	1085	524
1902-3	1036	477
1903-4	1922	757
1904-5	1674	645
1905-6	1374	579
1906-7	1725	836
1907-8	1524	785
1908-9	1782	900
1909-10	3243	1646
1910-11	3690	2036
1911-12	3822	2120
1912-13	4867	2694
1913-14	5558	3254

(Review of the Trade of India 1900-1914).

It will be seen that starting weakly in the bad year 1900-1 the trade grew steadily. In 1909-10 exports doubled themselves and in 1913-14 reached the export quantity of 5.6 million cwt. The steadiness and progressive character of the ground nut export trade are features entirely of the 20th century. At the end of the/

the 19th century the trade had fallen very low. Its recovery during the period under review was due on the demand side to the discovery of a new process for deodorising the oil expressed from the seed which made it, till then suitable only for soap making, an important article of food in southern Europe where vegetable oils take the place of butter. It also derived a demand from its increasing use as a substitute for olive oil. On the supply side the introduction of disease resisting varieties enabled the supply to respond to the demand. During the period France was the principal customer taking 80% of the Indian exports. The Review of the Trade of India for 1913-14 states that the figures of the export of ground nuts from India given are not complete in that exports from the French Indian port of Pondicherry whence a good quantity usually is exported is not included in it.

The following are the figures of the quantities and values of the export trade in castor seed during the period.

. . . .

Exports of Castor Seed.

Year	Quantity in 1000 cwt.	Value in £1000.
1900-1	876	437
1901-2	1324	452
1902-3	1752	613
1903-4	1567	461
1904-5	1461	461
1905-6	1279	524
1906-7	1505	761
1907-8	1994	1011
1908-9	1650	705
1909-10	1900	840
1910-11	2148	1099
1911-12	2403	1178
1912-13	2212	1092
1913-14	2697	1336

The trade in castor seed is on a smaller scale than that of ground nuts. In its own way the trade has shown steadiness and progress. What with the Indian monopoly of exports and the steadiness of world demand the trade has been a source of strength to the export trade in oil seeds. The United Kingdom was during the period the outstanding importer of Indian castor seed, France, the United States of America, Belgium, Italy and Germany taking much smaller quantities.

The/

The Export Trade in Linseed.

The following are the figures of export quantities and values of Linseed.

Year	Quantity in 1000 cwt.	Value in £1000.
1900-1	5,060	2970
1901-2	7,328	4509
1902-3	6,328	3793
1903-4	8,616	3829
1904-5	11,182	4219
1905-6	5,789	2743
1906-7	4,379	2173
1907-8	6,198	3191
1908-9	3,210	1703
1909-10	4,677	2616
1910-11	7,411	5593
1911-12	10,440	8643
1912-13	7,089	5318
1913-14	8,277	4457

Linseed Exports.

It has been seen already that India exported the bulk of her production of Linseed retaining only 6% in the country during the period. In 1913 Indian exports of Linseed accounted for but 20% of the world exports. Largely as a resultant of (a) variations in the Indian production/

production (b) that the bulk of it is for export and (c) the fact that Indian export of Linseed is a minor percentage of world exports and that the world supply is provided by the Argentine, Uruguay, Russia, Canada, the U.S.A. and China, the Indian export trade in Linseed during the period showed very great fluctuations. An extraordinary rise in the price of Linseed in 1900 which continued during the two following years induced a great increase of its cultivation throughout the world and particularly in the Argentine. Many of these countries were nearer Europe and offered the United Kingdom in particular a nearer alternative supply. Surveying the figures of the trade it is seen that the trade was very elastic up to 1904-5 but after that lost a certain amount of that elasticity. The explanation of this seems to lie in the fact that it reflects the trend of world trade in the commodity. For e.g. example the average total imports of Linseed into the United Kingdom is seen from the following figures.

<u>Total Imports of Linseed into the United Kingdom.</u>

Annual Average	1901-1906	=	1998	(1000 quarters)
" "	1907-1912	=	1689	(" ")

<u>Exports from British India into the United Kingdom.</u>

Annual Average	1901-1906	=	788.5	(1000 quarters)
" "	1907-1912	=	656.2	(" ")

(Figures taken from the Economist article "Sources of our supply of oilseeds" p. 1089 June 14th 1919)

It seems then that the stagnation or lack of elasticity of the Indian export trade in Linseed may be attributed to the fact that the European Linseed market was dominated by the Argentine which is the biggest producer and exporter of the commodity. The huge output of Linseed by the Argentine during the period depressed the market for Indian Linseed and led in India to the substituting for Linseed a more valuable crop as for e.g. ground nuts. The figures of imports of Linseed into the United Kingdom which was during the period one of the chief importers of the commodity suggest a reduction of the demand for Linseed. The steadiness and increase of the exports of ground nuts and the stagnation of Linseed export give weight to the conclusion that the former was supplanting the latter in use because of its richer oil content. The oil content of the former is estimated at between 45 to 70% and that of Linseed at 13 to 40% by the Imperial Institute's Economic Inquiry Report on Oilseeds (p.3).

The figures of the export trade in Rape seed are as follows:-

Year	Quantity in 1000 cwt.	Value in £1000.
1900-1	1727	823
1901-2	6925	2970
1902-3	3927	1647
1903-4	4343	1689
1904-5	5155	1822
1905-6	1994	811
1906-7	3729	1644
1907-8	5543	2883
1908-9	2766	1579
1909-10	6629	3122
1910-11	6593	3104
1911-12	4709	2341
1912-13	4356	2403
1913-14	4980	2851

According to the Indian Oilseeds Trade Enquiry Report of the Imperial Institute, of Rapeseed there is on an average a total annual out-turn of 1,200,000 tons and in normal years the proportion of exports to total production is about 20% (p.105). The same report makes out that Indian exports accounted in 1913 for 65% of the world's exported surplus. The bulk of the production then is consumed in the country. Looking at the figures of the export trade it is seen that if the erratic opening years and the disastrous year 1905-6 and the slump year 1908-9 are left out the trade has been just maintaining itself into an upward trend in 1909 and shows a decline in 1911-12 at which quantity it settled itself till the end of the period/

period. The absence of any striking development of exports is to be explained by increased consumption in India on the one hand and to the fact that the rapeseed belongs to the group of oilseeds with poor oil content and in its case there is also the difficulty experienced in refining it and making it odourless. It can be said that the growth of the popularity of Ground nut has been at the expense of seeds like Rapeseed. The largest buyers of Indian Rapeseed during this period were Belgium, Germany and France, the United Kingdom and Italy taking much smaller quantities.

The figures of the export trade of India in Sesamum are as follows:-

Year	Quantity in 1000 cwt.	Value in £1000.
1900-1	1844	1037
1901-2	2447	1429
1902-3	3733	1939
1903-4	3513	1619
1904-5	2517	1158
1905-6	1685	979
1906-7	2741	1697
1907-8	1533	1127
1908-9	1657	1084
1909-10	2983	1772
1910-11	3246	2135
1911-12	1896	1350
1912-13	1557	1215
1913-14	2244	1796

The figures show that the export trade has made very little advance. That can be understood in the light of the facts (1) that the major portion of the world exports of Sesamum came from China and the better quality of the Chinese seed narrowed the vent for Indian Sesamum. (2) Sesamum being largely consumed in the country it would be substituted for other oilseeds in which there was a shortage. Hence the trade has fluctuated though within comparatively narrow limits.

Sesame seed belongs to the group of seeds with richer oil content and in Europe is utilised in the manufacture of soap. The average quantity of this seed exported annually from India between 1885 and 1890 was 100,000 tons of which France took 70,000 tons. Between 1910-11 and 1914-15 with the same average exported quantity from India, France took only 32,700 tons on an average annually.
According to the Imperial Institute's Trade Report other European countries imported the sesame seed and this was brought about by the fact that "the addition of this oil to Margarine was made obligatory in Germany, Austria, Belgium and Denmark".

Indian Export Trade in Cotton Seed. 1900-1914.

Last but not least in importance in Cotton Seed. The following are the figures of exported quantities and values.

Year	Export quantities in 1000 cwt.	Export Values in £1000.
1900-1	225	37
1901-2	2036	309
1902-3	3974	613
1903-4	2677	445
1904-5	2529	410
1905-6	3891	681
1906-7	4388	866
1907-8	4250	877
1908-9	3683	875
1909-10	5649	1354
1910-11	5980	1530
1911-12	4073	1012
1912-13	2611	685
1913-14	5686	1416

India's export trade in Cotton seed developed phenomenally and with dramatic suddenness. The value of this trade in 1900-1 was only £37,000 and in 1913-14 it amounted to £1,416,000. During that period it rose in quantity from 228,000 cwt. to 5,686,000 cwt. The distinctive feature of cotton seed among oil seeds is that it/

it is a by-product and not grown by itself or for its own sake. While the trade in cotton dates far back into the 19th century, that in the seed did not begin till the close of the 19th century and this is to be explained by the fact that it was only by the end of the 19th century that the mechanical processes by which solid edible fats could be got from the seed came into use. Exports of Indian cotton seed during the opening years of the 20th century are striking.

Years	Quantity
1899-1900	43,485 cwt.
1900-01	225,000 cwt.
1901-2	2,036,000 cwt.

Accounting for this development the Review of the trade of India 1901-2 has the following on page 28 "the reason for the sudden activity of the demand is not quite clear; it has been assigned to the necessity of finding a substitute for olive oil which was scarce in the market, also to the scarcity of sesame oil; to the demand for lard and margarine for which materials were lacking; to the discovery of a new process for hulling the seed cheaply and efficiently; to the high price of seed resulting from an American demand for all that could be got on the American Continent". The export trade in cotton seed needed only a start. With the increasing acreage under cotton during the period under review and/

and the increasing demand for use as both cattle feed and for edible fat the seed consolidated the position in the trade given it by the phenomonal start.

"The world's production of cotton seed in 1913-14 may be taken to be about 11,000,000 tons. Of the cotton seed produced much is either used locally or is exported in the form of manufactured products as in the case of the U.S.A. India and Egypt and especially the latter are the chief sources of supply of cotton seed to those countries which produce none. Thus only 900,000 tons entered foreign trade in 1913-14, that is only 8% of the output". (Imperial Institute Report p.84, 85).

So far as India is concerned that Report estimated the production for 1913-14 at 2,110,000 tons and export was 284,000 tons. Thus one seventh of the output was exported, six sevenths being retained in the country. It will be realised from the figures of the trade that the Indian export trade in cotton seed showed strength. The bulk of India's cotton seed exports went to the United Kingdom.

In bringing this survey of the export trade of the ability
India in oilseeds to a close it will help to be able to see it in its true perspective if the export trade in oilseeds in their quantities and values are set over against the export trade of the country in vegetable oils.

Years	Oilseeds Exports Quantity. Million cwt.	Value in crores of Rupees.	Vegetable oils Exports. Million gallons	Value in Crores.
1900-1	10.99	9.01	3.6	.52
1901-2	22.96	16.77	3.5	.53
1902-3	22.19	14.88	4.8	.67
1903-4	24.68	14.51	6.1	.83
1904-5	26.87	14.41	4.8	.62
1905-6	11.57	10.66	3.8	.53
1906-7	19.73	13.01	2.99	.46
1907-8	23.18	16.81	3.2	.50
1908-9	16.24	11.67	4.4	.63
1909-10	27.68	18.72	4.4	.65
1910-11	31.43	25.12	4.2	.70
1911-12	30.01	26.94	4.6	.81
1912-13	24.53	22.75	2.8	.50
1913-14	31.65	25.2	3.2	.57

(Figures quoted from the Review of the Trade of India 1900-1914).

From the figures given it is clear that while the export of oilseeds in quantity and value between the opening and closing years of the period has increased by approximately 200%. India's export of the oil expressed from the seeds has in the same years declined by one ninth in quantity and increased by .05 crores in value. Anent this a very useful reference as to some of the factors working to effect this trend of developments in the oil seed export and oil manufacturing industries and trade in India, is the evidence tendered by Mr R.L. Sutaria, Director of the Indian Cotton Oil Company Limited/

Limited, to the Indian Industrial Commission (Cmd. 237 of 1919 Vol.IV, p.287). Paragraph 46 of this evidence runs as follows: "It goes without saying that the present Railway rates have been based with a view to encourage exports of raw produce. The rates for instance to a port such as Bombay or Karachi from any interior point are comparatively cheaper than the rates, caeteris paribus, between two interior points. The rates on raw produce again are cheaper than those on manufactured articles. Add to these the various restrictions as to long or short lead, wagon loads, carrying capacity, risk notes etc. etc., and it will be easily seen how hot things are made by the railways for the development of indigenous industries. In India the railways exist, not for her own industries but for those in countries far far away". The rates cited by him are worth quoting.

From	Miles	To Bombay(Port)	Miles	To Navsari (Interior)
Ankleshwar	198	Rs.0- 2 - 1 ps.	49	0 - 2 - 2
Broach	204	0- 1 - 9	55	0 - 2 - 3
Chamargam	211	0- 2 -11	62	0 - 2 - 6
Paley	219	0- 2 -11	70	0 - 2 - 8
Miagam	229	0- 3 - 4	80	0 - 2 - 8
Boroda	248	0- 3 - 6	99	0 - 3 - 3
Dabhoi	249	0- 3 -10	90	0 - 3 - 5
Bodeli	274	0- 3 - 6	115	0 - 4 - 0

(For Cotton Seed per Maund p. 294).

"Distance for distance the rate per Maund per mile for Navsari works out at 4½ times the rate for Bombay. Indigenous industries alas have to atone for the sin of sea competition" (Ibid.) That is for oilseed.

In paragraph 56 there is the following statement.

"The rate on oil from Navsari via Dadai is 0 - 4 - 2 pies. That from Bombay to Madras is 0 - 11 - 3 ps. The total rate from Nansari to Madras under these circumstances should be the total of the above rates viz. 0 - 15 - 5. Instead our consignments from Nansari to Madras have been charged at Rs. 1 - 10 - 4 ps. The matter was brought to the notice of the Great Indian Peninsular Railway who said the Bombay to Madras rate was a port to port rate and could not be applicable to traffic originating at interior points". The natural result of the state of affairs set forth by the witness is given in paragraph 65.

"Here is a list of the world's Cotton Seed Oil Mills operating in 1914.

<u>Number of Mills.</u>

United States of America	885
England . .	50
Russia . .	32
Germany . .	9
France . .	5
Austria . .	1
China . .	9
India . .	1
Egypt . .	5
Turkey in Asia .	4
Peru . .	11
Mexico . .	4
Brazil . .	7
Chile . .	1
Venezuela . .	1
Total	1025

India's production of Cotton Seed annually 1,500,000 tons!

The handicap in the matter of shipping freights for the export of a commodity like oil has been referred to already.

The survey of the important items of the export trade made herein accounts for approximately 80% of India's export trade in merchandise during the period 1900-1914.

CHAPTER VII.

THE IMPORT TRADE OF INDIA IN MERCHANDISE 1900-1914.

Section 1.

This chapter is devoted to the study of the import trade of India in merchandise during the period 1900-1914. The following is a table of the figures of the value of that trade.

10,000,000 Rs. = .6 million £

Year	Value in crores of Rupees.
1900-1	76.27
1901-2	81.47
1902-3	78.78
1903-4	84.82
1904-5	96.67
1905-6	103.06
1906-7	108.30
1907-8	129.85
1908-9	121.26
1909-10	117.05
1910-11	129.35
1911-12	138.57
1912-13	161.01
1913-14	183.24

(Figures from the Review of the Trade of India 1900-1914)

If the figure for 1900-1 is taken as 100, that for 1913-14, the closing year of the period works out at 240/

240 and thus it is seen that the import trade in merchandise has increased by 140% between the opening and the closing year of the period. It may be mentioned that the export trade in merchandise registered almost the same percentage increase.

The Review of the Trade of India classifies Indian foreign trade into the following four divisions:-

I. Food, drink and tobacco.

II. Raw materials and produce and articles mainly unmanufactured.

III. Articles wholly and mainly manufactured.

IV. Miscellaneous and unclassified.

According to this classification imports under Class III - articles wholly and mainly manufactured - form the major item of the import trade in merchandise. In the year 1900-1 they accounted for 42.5 crores out of a total import of merchandise of 76.27 crores and represented 55% of total merchandise imports. In the closing year of the period - 1913-14 - these imports amounted to 145.5 crores out of a total import of merchandise of 183.24 crores representing 79%. Thus while the import trade in merchandise as a whole increased between the opening and closing years of the period by 140%, according to the classification referred to above manufactured imports rose from 100 to 344 and registered an increase of 244%.

For/

For the purpose of understanding the real strength of manufactured goods in the Indian import trade in merchandise the classification referred to above is imperfect. The classification was devised mainly for administrative convenience. It could not serve that end and at the same time be a perfect classification of imported commodities into manufactured goods and those that were not. This classification does not tell the whole story of the strength of manufactured goods in the Indian import trade in merchandise. For example, item one, of the classification is entitled articles of food and drink and tobacco and under it are grouped the following items, sugar, provisions and oilman's stores, liquors, spices, fruits and vegetables, other food and drink, tobacco, fish (excluding canned fish), grain, pulse and flour, Tea. Now of these items sugar, provisions, liquors, other food and drink and tobacco are obviously manufactured products and as will be seen, the most important from the point of value, of the items under this head. The chief raw material items under this head are fruit and vegetables, fish, grain, pulse and flour, tea, and India, as a big exporter in two of these, namely grain and tea could not be a big importer as well. Thus the major part of the value under this head, should go into the total of the value of manufactured imports into India. For e.g. in the normal year 1910-11 articles/

articles of food, drink and tobacco accounted for 16% of the total imports and according to the Review of the Trade of India for that year 63.06% of the imports under this head were sugar imports. (p.10). In view of this, and if the aim is to get at the real strength of manufactured goods in the import trade, results more nearly approaching the actual state of affairs could be got at by deducting from the total of merchandise imports, actual imports of raw material. The resultant would represent manufactured imports into India. There would, in this case, still be a little discrepancy but it would be nothing like what results from estimating manufactured imports by merely accepting group 3 of the official classification. Applying this method the following results are arrived at:-

Indian Imports.

Year.	Total Merchandise imports.	Total Raw Material imports.	Total Manufacture imports.
1900-1	76.27 crores	9 crores	67 crores
1913-14	183.24	14.25	169

Thus the percentage of manufactured imports to total merchandise imports works out roughly at 90% for 1900-1 and 92% for 1913-14. This roughly represents the actual strength of manufactured imports in the Indian import trade in merchandise.

Section II. The Chief Items of the Import Trade in Merchandise.

Below are given lists for 1900-1 and 1913-14 of the commodities that attained to a value of a crore of Rupees or more in the import trade, in order of their value.

1900-1 Name.	Value.	1913-14 Name.	Value.
(1) Cotton Manufactures	£18,230,752	(1) Cotton Manufacture	£44,199,000
(2) Sugar	£ 3,770,144	(2) Iron and steel	£10,663,000
(3) Iron & Steel manufactures.	£ 3,048,421	(3) Sugar	£ 9,971,000
(4) Mineral oil	£ 2,305,235	(4) Railway plant and Rolling stock	£ 6,690,000
(5) Machinery and Millwork	£ 1,505,039	(5) Machinery and Millwork	£ 5,172,000
(6) Woollen Manufacture	£ 1,408,384	(6) Copper	£ 2,745,000
(7) Provisions	£ 1,317,144	(7) Mineral oil	£ 2,744,000
(8) Hardware and Cutlery	£ 1,227,649	(8) Hardware and Cutlery	£ 2,632,000
(9) Silk Manufactures	£ 1,110,540	(9) Woollen Manufacture	£2,567,000
(10) Liquors	£ 1,077,939	(10) Silk Manufacture	£2,068,000
(11) Apparel	£ 899,862	(11) Provisions	£1,649,000
(12) Railway plant and Rolling stock	£ 894,080	(12) Liquors	£1,491,000
(13) Raw silk	£ 677,960	(13) Glass & Glassware	£1,297,600
		(14) Instruments, apparatus & appliances	£1,214,000
		(15) Spices	£1,155,000
		(16) Haberdashery and Millinery	£1,066,000
		(17) Paper & pasteboard	£1,058,000

(18)	Motor cars & cycles	£1,022,000
(19)	Dyes	£943,000
(20)	Silk raw	£839,000
(21)	Drugs and Medicines.	£780,000
(22)	Fruits & vegetables	£754,000
(23)	Precious stones	£715,000
(24)	Coal, Coke and	£711,000
(25)	Building and engineering material	£707,000
(26)	Chemicals	£677,000

In the light of these two lists certain observations seem permissible. It has been seen that between 1900-1 and 1913-14 the import trade in merchandise increased by 140%. The lists given reveal that between these years the number of commodities of over 1 crore value in the trade doubled itself. That is to say not only did the volume of the import trade increase but the channel of that stream broadened itself, in striking contrast in this respect, to the export trade in merchandise, in which the number of the commodities increased only by half their total number. The explanation of this difference in development lies in many factors. First the varieties of manufactured commodities, can in the nature of the case be larger in number than those of raw material. Economically the country was being opened up during the period. It was a/

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a developmental period and it was a period when the middle class in the country was waxing going strong, large, and beginning to use and consume a variety of commodities. As such the effect on trade would be, in the first instance, to make a big impression on the import trade in increasing the volume and the variety of the imports.

Section III.

In this section it is proposed to make a study of the import trade in a few of the items of it. The reasons for restricting the study to a few of the items of the import trade are (1) that the number of items in the import trade coming under notice are so large that it would be an exhausting business to go through them all. (2) It has to be borne in mind that the overwhelming number of these are manufactured goods many of which India either does not produce at all or produces on so small a scale that the imported goods do not meet any competition. For example e.g. among the major items of the import trade are commodities like iron and steel manufactures, machinery and millwork, Railway plant and rolling stock, provisions, liquors, hardware and cutlery and a number of other items in which there being no home industry at all or one of any serious importance a study of them must just resolve itself into/

into taking account of the value of the imports and no more. Under the circumstances it is proposed here to make a brief study of imports of (1) Cotton manufactures, (2) Sugar, (3) Mineral oil. Apart from the large value of these imports, there is an additional interest in the trade in these because these are (1) articles of general consumption and therefore affect the well-being of the large mass of the people of the country. (2) In all of these there was during the period home industries producing all these commodities though sugar lagged behind the other two commodities. (3) There was an imperial interest in the trade in all the three commodities. All these reasons constitute the justification for selecting these three for a study.

A. The Import Trade in Cotton Manufactures. 1900-1914.

The importance of these imports in the total import trade in merchandise into India can be realised from the following table of the percentage of cotton manufacture import values of the total value of private merchandise import.

Indian Imports of Cotton Manufactures.

Year.	Percentage of value of Cotton Manufacture imports to total value of merchandise imports.
1900-1	39%
1901-2	40%
1902-3	39%
1903-4	37%
1904-5	39%
1905-6	41%
1906-7	38%
1907-8	37%
1908-9	31%
1909-10	34%
1910-11	35%
1911-12	36%
1912-13	38%
1913-14	36%

(Figures from the Review of the Trade of India 1900-1 to 1913-14)

It has been seen that between 1900-1 and 1913-14 the import trade in merchandise increased by 140%. That of the import trade in cotton manufactures was 120% and in spite of increasing values of the import trade in merchandise cotton manufacture imports were able to maintain themselves at an average of 37% of the total imports of merchandise, varying between 41% in the prosperous year 1905-6 and 31% in the year of depression 1908-9.

The/

The overwhelming bulk of cotton manufacture imports into India came from Lancashire during the period. India was during the period the biggest individual importer of Lancashire Cotton manufactures. These circumstances help to simplify the understanding of the course of the Indian import trade in cotton manufactures. Imports of cotton manufactures into India fall into the major item of cotton piece goods imports, a much smaller item of cotton yarn imports and an even smaller item of miscellaneous cotton goods. The position is made clear by the following table.

Values of Imports of Cotton Manufactures.

Year	Total Value Cotton Manufacture imports.	Value of piece goods imports.	Value of cotton yarn imports.
1900-1	29.83 crores	26.25 crores	2.48 crores
1901-2	32.89 "	30.2	2.64
1902-3	30.4 "	28.1	2.29
1903-4	31.01 "	28.8	2.1
1904-5	38.04	35.5	2.48
1905-6	42.84	39.01	3.42
1906-7	40.91	37.69	3.2
1907-8	48.04	44.34	3.69
1908-9	38.01	34.36	3.64
1909-10	39.37	36.05	3.31
1910-11	44.87	41.70	3.13
1911-12	49.56	45.7	3.79
1912-13	60.82	56.38	4.44
1913-14	66.00	57.6	4.16

(Table compiled from the Review of the Trade of India 1900-1914)

It is clear from this table that cotton piece goods form the overwhelming portion of cotton manufacture imports into India. With most of these imports into India coming from the United Kingdom, the course of the Indian import trade in cotton manufactures when it was adversely affected must have been affected by adverse conditions in the exporting or importing countries or both. The following table sets down the cotton piece goods exports of the United Kingdom and the imports of India.

British Exports of Cotton Piece Goods.		Imports of British Piece Goods.	
Year	Cotton piece goods. Exports of the United Kingdom in Million yards.	Year.	Cotton piece goods. Imports into India from the United Kingdom in Million yards.
1900	5034.25	1900-1	1972
1901	5364.60	1901-2	2154
1902	5330.7	1902-3	2071
1903	5157.2	1903-4	1997
1904	5591.9	1904-5	2251
1905	6198.19	1905-6	2415
1906	6261.29	1906-7	2276
1907	6298.04	1907-8	2487
1908	5532.4	1908-9	1947
1909	5722.3	1909-10	2141
1910	6018.45	1910-11	2252
1911	6653.6	1911-12	2379
1912	6912.6	1912-13	2942
1913	7075.5	1913-14	3104

(Figures for the United Kingdom compiled from the Economist history and review of each year and those for India from the Review of the Trade of India for the period).

Looking at these figures, it will be seen that the weakness of the Indian import trade in piece goods during 1902-3 and 1903-4 merely reflects the weakness of British Exports of piece goods. Of the British cotton industry in 1902 the Economist article on it says "Speaking broadly the year 1902 was a most discouraging 12 months to production of cotton yarn and cloth. It was distinctly unremunerative as compared with the two previous years". p.60, January 10th, 1903. The commercial history and Review of 1903 (p. 340, Feb.20, 1904 - Economist) says "Our great cotton industry suffered in 1903 a partial paralysis consequent on the gambling operations of American speculators in the raw material". So far as imports of piece goods for the year 1903-4 into India are concerned, there was a decline of 74 million yards but a rise of price made the value of these imports higher than that of 1902-3 by .7 crores of Rupees. For the next two years Indian piece goods imports reflect the prosperity of the Lancashire industry as a result of good harvests in India greatly increased production of the raw material in the United States of America and a return of prices to more advantageous terms. In 1906 the Lancashire industry judging by the quantity exported seemed to continue on its career of prosperity but the import trade in piece goods got a set back and declined. The cause of this lay in India. The Review of the Trade of India for 1906/

1906-7 attributes this to "the high level of cotton goods prices, the dearness of food grains and the consequent contraction of the people's purchasing power and the movement for the preference of indigenous products in the country. The monthly average prices of the seven principal food grains in India was 31.2% higher in 1906 than the average of the previous 5 years". This is the first reference to a movement for the preference of indigenous products in the country. On the import trade at this time it left very little serious influence, nothing at all that can be compared to the effects of the movement in an intensified form that showed itself in the post-War period. After the set back in 1908 which was experienced by both the piece goods exporting trade of the United Kingdom and the piece goods importing trade of India, both entered from 1909, on a career of boom and prosperity which came to a great climax in 1912 and 1913 as a result of good cotton crops and easier prices. "Owing to the abundance and relative cheapness of supplies of American and Egyptian cotton, imports of piece goods rose sharply from 2438 million yards in 1911-12 to 3023 million yards in 1912-13 and 3192 million yards in 1913-14" .... (Report of the Tariff Board on the Cotton Textile industry 1926.) So far for a survey of the factors influencing the import trade of Indian cotton piece goods The fact that the figures of British piece goods exports and/

and British piece goods imports into India move together generally shows the importance of the Indian piece goods import trade to the British industry. Individually the largest consumer and buyer, India took 40% approximately of Lancashire's piece goods exports. For example the relation of imports of British piece goods into India to total exports of cotton piece goods of the United Kingdom in 1913 was as is shown by the following table.

United Kingdom Exports of Cotton Piece Goods 1913.

Countries to which consigned.	Quantity (Million yards)						Value Million £					
	Grey	Bleached	Printed	Dyed	Coloured	Total	Grey	Bleached	Printed	Dyed	Coloured	Total
British India	1483	782	470	286	36	3057	15.9	9.0	5.9	3.7	0.6	35.0
All Countries	2358	2045	1231	1151	290	7075	27.4	27.1	16.7	21.8	4.8	97.8
Percentage Exported to British India.	63%	38%	38%	25%	12%	43%	58%	33%	35%	17%	12%	36%

In 1913 India took 43% of the quantity and 36% of the value of the United Kingdom's Exports of Cotton piece goods. (Source: Burnett-Hurst - Lancashire and the Indian Market. Journal of the Royal Statistical Society Pt. III, 1932, p. 399).

The United Kingdom's share in the Indian piece goods import trade is seen from the following figures of total piece goods imports and imports of British piece goods.

Imports of Cotton Piece Goods into India.

	Total Cotton piece goods imports in million yards.	Imports from the United Kingdom into India in million yards.
1900-1	2003 million yards	1972 million yards.
1901-2	2190	2154
1902-3	2107	2071
1903-4	2033	1997
1904-5	2288	2251
1905-6	2463	2415
1906-7	2318	2276
1907-8	2532	2487
1908-9	1993	1947
1909-10	2193	2141
1910-11	2308	2252
1911-12	2438	2379
1912-13	3023	2942
1913-14	3197	3104

(Figures taken from the Review of the Trade of India 1900-1914).

The import trade in piece goods falls into the divisions of imports of Grey goods, of white bleached goods, and of coloured goods consisting of printed, dyed, or woven goods. The British share of the import trade in each of these classes of goods was during the period as given below:-

British Share of Indian Cotton Cloth Imports.

	Grey Goods.	White Bleached.	Coloured, printed or dyed.
1900-1	99.2%	98.7%	95.3
1901-2	99.3	99	95.8
1902-3	99.2	98	95.9
1903-4	99.3	98.3	95.5
1904-5	99.6	98.3	95.32
1905-6	99.2	98.09	95.4
1906-7	99.3	98.25	95
1907-8	99.5	98.4	93.5
1908-9	99	97.6	93.5
1909-10	99	98	93.5
1910-11	99	98	94.2
1911-12	99	98.2	94
1912-13	99	98.0	94
1913-14	99	98.0	94

(Source - Review of the Trade of India 1901-1914).

Thus no less than 97% of India's piece goods imports came during the period from the United Kingdom. Lancashire supplied 99% of the imports of grey goods, the remaining 1% of grey goods imports consisting of American Drills and Jeans. In bleached goods also the United Kingdom stood in a similar strong position the remainder of the imports consisting of white shirtings coming from the Netherlands. In the trade in coloured goods the United Kingdom accounted for only 92% of the imports the balance being largely special types of coloured goods from Italy and the Netherlands.

In/

In the following table are set down the figures of the imports of piece goods in million yards under each of the heads of Grey, White and Coloured goods. This is done to see the course of the trade in each of them and how far they moved together or differently.

Imports of Cotton Piece Goods 1900-1914 in Million yards Percentage.

	Grey unbleached	White bleached	Coloured, printed or dyed.	Grey in Total.
1900-1	1192.7	467.48	343.16	59%
1901-2	1186.76	580.09	422.86	54%
1902-3	1283.68	389.98	433.66	61%
1903-4	1085.11	466.34	481.27	53%
1904-5	1210.16	584.3	493.9	53%
1905-6	1348.84	572.75	541.65	54.8%
1906-7	1298.48	494.97	524.48	56%
1907-8	1253.8	733.53	544.41	49.5%
1908-9	1042.29	477.75	472.83	53%
1909-10	1236.83	493.04	462.83	56%
1910-11	1130.08	586.52	591.53	49%
1911-12	1218.85	629.6	589.4	50%
1912-13	1535.13	768.76	682.2	50.7%
1913-14	1534	793	832	49%

(Figures from the Review of the Trade of India 1900-1914)

Between 1900-1 and 1913-14 imports of cotton piece goods increased from roughly 2000 million yards to 3200 million yards which approximates to an increase of 60%. Individually imports of grey goods increased by about 25 - 28%, white goods by 75% and coloured goods by about 130%. This wide difference in the percentage of increase in/

in the imports of the different kinds of piece goods is to be explained by the amount and quantity of the output of cloth by the Indian cotton mill industry. The following table gives the figures of Indian cotton cloth production by the mills and the percentage exported.

Indian Production of Cotton Cloth.

Year ending 31st March.	Cloth produced in Million yards	Percentage of output exported.
1899-1900	329.4	21%
1900-01	341.2	20.3
1901-2	409.7	17.7
1902-3	406.3	17.1
1903-4	460.5	16.5
1904-5	549.5	15.8
1905-6	565.0	16.3
1906-7	708.0	10.8
1907-8	808.4	9.1
1908-9	824.5	9.4
1909-10	963	9.7
1910-11	1042.7	9.6
1911-12	1136.2	3.6
(Figures quoted from the Economist p.697, 698 March 22nd 1913)		
1912-13	1220	3%
1913-14	1164	7%

(Review of the Trade of India 1913-14)

Indian mill production has steadily increased while the percentage exported has steadily declined leaving an increasing/

increasing percentage of the home mill production for home consumption. Thus the average annual production of cloth by Indian Mills for the five years 1909-10 to 1913-14 was 1105.5 million yards of which 854.1 million yards are grouped as grey and bleached but really mostly grey goods and 251.4 million yards of coloured goods. It stands to reason that with this large production of grey goods in the country imports of grey goods which were half more than the quantity of both bleached and coloured goods imports should be far more sensitive to the internal production than coloured goods in which the internal production was much smaller than grey goods and in which the imports themselves were also smaller. This development accounts for the comparative inelasticity of grey goods imports as compared with imports of white bleached or coloured goods. The Review of the Trade of India for 1916-17 says on page 18: "Indian piece goods compete with imported goods mainly in regard to grey goods .... the competition lies only in a small number of qualities of grey goods which are on the border line of the lower counts".

Any further inquiry into the details of the competition offered by Indian mill cloth to imported piece goods is rendered impossible by the inadequacy of the statistics of Indian mill production. As late as 1932 the Indian Tariff Board Enquiry Report on Cotton/

Cotton Textile Industry remarked that "the chief defects in the statistics of production are that grey and bleached goods are not shown separately and that all coloured goods are included under one general head".

Besides the tables relating to the trade of British India constantly during the period 1900-1914 shuffled the items under the different heads of imports of cotton piece goods that they are not of much use in attempting with safety to trace the trends of the trade in any of these heads individually. As it was a period of increasing consumption of cloth in the country both the quantity of the imports and of home production were on the increase during the period and that being so it is not possible to note changes where as the result in the increase of the latter heads of imports declined. The main thing that can with certainty be stated is that the smaller percentage of increase of grey goods imports is to be accounted for by the increase in the internal production and to a lesser degree by the change in fashion from grey to bleached and coloured goods.

The next thing of importance in the import trade in cotton manufactures into India is that in cotton yarn. The 20th century it seems was not to be one of a great trade in cotton yarns as it was in certain other commodities, such as food grains or cotton cloth. Here for example are figures of the export trade of the United Kingdom and India in cotton yarn.

British and Indian Exports of Cotton Yarn.

Years.	British Cotton Yarn exports in million lbs.	Years.	Indian Yarn Exports in million lbs.
1900	158.29	1900-1	118.08
1901	169.7	1901-2	272.4
1902	167.48	1902-3	248.5
1903	150.76	1903-4	252.4
1904	163.89	1904-5	247.8
1905	205.6	1905-6	297.6
1906	207.37	1906-7	243.5
1907	241.11	1907-8	215.5
1908	214.87	1908-9	235.46
1909	215.2	1909-10	223.3
1910	191.69	1910-11	183.4
1911	223.8	1911-12	151.4
1912	243.9	1912-13	203.9
1913	210.17	1913-14	198

(British figures quoted from the Economist - Commercial History and Review of each year).

(Indian figures quoted from the Review of the Trade of India)

During the period under review the United Kingdom and India were the big exporters of yarn. If the figures of the bad year 1900-1 are ignored, the trend of the figures for the period show a decline in the yarn export trade of India and a 25% increase in that of the United Kingdom. The reason why the period under review was not one of great trade in cotton yarn may be stated thus. The spinning of cotton yarn is an old industry which in the centuries/

centuries before the Industrial Revolution was widely known and practised. Then came the Industrial Revolution to the West and the development of the means of transport and communication. Contact was established with the Far East and it was opened up and became with its large population a good export market for yarn. This contact led to the movement of the Industrial Revolution spreading to these countries. Then began the career of industrialization. The first steps in a career of industrialism is with light manufactures of which cotton spinning is an ideally popular one. Thus the period saw the cotton yarn spinning industry establish itself in India, Japan and China.

To the extent that these countries spin yarn for themselves to that extent the trade in cotton yarn with them was bound to be limited. This is one reason why this period was not one of any striking trade in yarn. Another reason why the export trade in cotton yarn of the older exporting countries did not show much strength lay in the fact that the period being one of increasing demand for cotton was also a period of great speculation, especially in the United States of America. Now cotton yarn being closely related to the raw material tended to reflect the fluctuations of price of the raw material and this made the business more risky for spinners of yarn. (Pre-war fluctuations of profits in the Cotton Spinning industry in Great Britain by H. Campions p.626 J.R.S.S. 1934)

Index Number of Spinning Profits.

Year	Profits	Margins
1900	165	107
1901	145	64
1902	- 1	81
1903	- 20	82
1904	14	94
1905	297	120
1906	305	106
1907	546	165
1908	277	109
1909	-120	90
1910	-156	89
1911	12	102
1912	229	126
1913	268	118

The margins are between the prices of American Middling cotton and 32's twist yarns for 1902-03. Cloth being more removed from the raw material was in this respect safer and there was a greater tendency to follow the safer line of production. For example e.g. reviewing the Indian cotton mill industry during the period 1899-1914 the Tariff Board Inquiry Committee of 1926 says in its opening pages "At the outset of the period the Indian Cotton Mill Industry was essentially a spinning industry and nearly half the yarn produced was exported.

At/

At the end of it while the number of spindles had increased by 39% the number of looms had increased by no less than 142%". For all these reasons the period under review was not one of an expanding trade in yarn for the yarn exporting countries. From the figures of cotton yarn exports of the United Kingdom and India given already it has been seen that, while the trend of Indian exports was one of decline, those yarn exports of the United Kingdom recorded a 25% increase. This difference in the fortunes of the two exporting countries is to be accounted for by the fact that India was an exporter of coarse yarn of the lower counts which would be precisely ~~that~~ those on which a new spinning industry would concentrate. With China and Japan spinning yarn of these counts, India lost a great deal of her export trade. The yarn exports of the United Kingdom were those of the higher counts for the production of which the country was well suited as a result of the peculiar climate of Lancashire and the aptitude of her people. Thus the United Kingdom lost her trade in the yarn of lower counts but retained that in the higher. The truth of this is borne out by a consideration of the figures of the Indian import trade in cotton yarn. The following table gives the figures of the internal production of yarn by the Indian mill industry, and the percentage of the production retained in the country and the quantity of yarn imported into the country in millions of lbs.

Indian Production and Imports of Yarn.

Year.	Indian Mill production of yarn in Million lbs.	Percentage of it retained for home consumption.	Imports of yarn in Million lbs.
1900-1	353	53%	34.8 million lbs.
1901-2	573	66.6%	38.3
1902-3	576	52.6	33.7
1903-4	578.7	56.9	28
1904-5	578.3	56.4	30.6
1905-6	680.9	67%	45.75
1906-7	653.7	56.3	37.63
1907-8	638.29	62.8	37.31
1908-9	657.5	66.3	41.52
1909-10	627.5	64.3	40.29
1910-11	609.9	63.8	32.50
1911-12	625.03	69.8	41.91
1912-13	688.4	75.8	50.04
1913-14	683.0	71%	44

(Figures compiled from the Review of the Trade of India 1900-01 to 1913-14).

Taking the figures of the import quantities as a whole it is seen that imports of cotton yarn reflected very poorly the general expansion of the import trade in Merchandise. To what extent and in what lines the increase in the Indian mill production of yarn and the decline of the export trade in yarn affected the import trade and set limits to it will be realised from a study of the figures of imports and internal mill production under the different counts of yarn.

Figures of the Imports and Home Production of Yarn of the different Counts in Million lbs.

Year.	Yarn Counts 1-30.		31-40		Above 40.	
	Imports	Home production.	Imports	Home production.	Imports	Home production.
1900-1	8.02	339.2	20.2	11.06	4.3	2.7
1901-2	7.4	559.41	23.86	12.61	4.4	.91
1902-3	7.25	563.04	19.81	12.51	4.2	.67
1903-4	6.47	561.29	14.98	16.51	4.8	.94
Counts	1 - 25		26 - 40			
1904-5	2.5	531.4	19.9	45.6	5.04	1.27
1905-6	3.4	634.65	33.69	45.09	5.8	1.13
1906-7	2.5	603.89	25.6	49.11	6.4	1.4
1907-8	2.3	579.3	23.9	56.05	7.4	2.7
1908-9	4.09	597.6	25.66	55.23	8.5	4.69
1909-10	2.4	574.7	26.2	48.98	7.6	3.59
1910-11	1.6	552.49	19.67	53.57	6.6	1.8
1911-12	1.5	565.19	28.3	58.9	7.1	2.19
1912-13	4.1	623	31.39	60.98	8.76	2.93
1913-14	2	617	27	63	8.0	3.0

Thus the development of the Indian cotton spinning industry during the period led to a position at the close of the period in which imports of yarn of counts between 1-25 was almost reduced to nothing. There was progress in the spinning of counts between 31-40. In counts of yarn between 26 and 40 imports increased by 7 million lbs. while the home production which was more than double the quantity of imports in 1904-5 rose by 17 million lbs. In the yarn of counts above 40 while imports during/

during the period had almost doubled themselves production seems to have made very little headway. As the bulk of the yarn that India produces and deals in are coarse yarns of the lower counts the acquisition of the production of the whole of this has narrowed the province of the possible expansion of imports to those of the higher counts which India uses to a much smaller degree; even in these the progress of Indian production has set limits to the import trade. Thus the supremacy of imports is in the section of yarn of counts above 40 but the quantities dealt in are comparatively so small that the influence of this on the total figures of the import trade in cotton yarn is comparatively small.

In the course of this survey of cotton manufacture imports the figures of the internal production of cloth and yarn have been given. The survey of these figures makes it clear that the cotton industry made very definite progress during the period. As the period was one of free trade the conclusion is warranted that free trade and free imports did not during the period prevent the Indian cotton mill industry from developing. In the industrial development of a yet undeveloped country the vital issue seems to be not so much free trade or protection but whether for a particular line of industrial advance the undeveloped country has the advantages making/

making for such developments, such as raw material, labour, capital and a home market or a foreign market. In all these respects the Indian cotton manufacturing industry in India was well placed, hence its advance. India stood in the same position of advantage with regard to the turning of many of her other raw materials into manufactured goods. If then industrial developments in them was negligible the conclusion seems warranted that it was not due to free trade but to an internal economic policy pursued by the rulers of the country whose interest lay in making things easy for the increasing entry of British manufactures into India rather than in/the development helping and advance of Indian industries.

B. Import Trade in Sugar. 1900-1914.

The import trade in sugar has been selected for a study here because it has many points of interest not shared in by most of India's import commodities. Among these are that sugar is an article of general consumption and as such the trade is of wide general interest for the country. Again India has all through history been a grower of the sugar cane and a producer of sugar and a consumer of it on a large scale. In the 19th century she was also an exporter of sugar. "The English East India Company exported/

exported large quantities of sugar from British India (as well as crystals)" p.12 World's Cane Sugar Industry Past and Present - H.C. Prinsen Geerligs. At the commencement of the 20th century there was in addition an imperial interest involved in the sugar import trade of India. All these points of interest make a study of the import trade in sugar interesting. The trade was one which in value and volume was one of importance and the progress it made during the period was quite striking.

The following table gives the quantity and value of the imports of sugar during the period.

Indian Imports of Sugar.

Year.	Quantities in tons.	Value in crores of Rupees
1900-1	263,835	5.65
1901-2	300,666	5.90
1902-3	273,110	4.95
1903-4	316,692	5.95
1904-5	346,840	6.90
1905-6	463,556	7.77
1906-7	555,202	8.73
1907-8	558,988	9.22
1908-9	603,911	10.90
1909-10	630,473	11.52
1910-11	739,102	13.16
1911-12	612,092	11.93
1912-13	772,153	14.30
1913-14	896,869	14.95

(Figures from the Review of the Trade of India 1900-1914).

The table shows that between the opening and closing years of the period sugar imports increased by more than 200% quantitatively and by a little more than 150% in value. This points to the fact of a tendency to a fall in the prices of sugar during the period. The following index numbers of sugar prices during the period bear this out.

1867-77 = 100 U.K. Statist.

Index Numbers of Sugar Prices.

	Beet Sugar 88% F.O.B.	Java Floating Cargoes.
1900	46	45
1901	38	38
1902	30	30
1903	36	34
1904	44	40
1905	47	45
1906	36	35
1907	39	38
1908	43	40
1909	45	43
1910	51	49
1911	52	49
1912	49	47
1913	40	38

(quoted from the Journal of the Royal Statistical Society p. 566 1914)

There were during the period many factors contributing to the striking expansion of the import trade in sugar.

Among/

Among these were the increase in the production and supply of sugar to such an extent that even in a period generally of rising prices they tended towards a fall in the price of sugar. Part of the tendency to the falling price of sugar during the period was to be accounted for by the increasing competition among producers. As a result efforts were made to make the production of sugar more scientific and economic. The following table gives the figures of the world's crop of sugar during the

World Production of Sugar.

Year	Total tons.
1899-1900	8,180,000
1900-1901	9,527,649
1901-02	10,285,000
1902-3	9,748,775
1903-4	10,392,000
1904-5	10,495,000
1905-6	11,834,000
1906-7	11,672,500
1907-8	11,802,500
1908-9	11,831,000
1909-10	12,242,000
1910-11	14,379,000
1911-12	12,818,000
1912-13	15,519,000
1913-14	16,072,014

(Figures compiled from The Economist - History and Review of each year- Sugar).

The world consumption of sugar expanded during the period according to The Economist from an estimate of 8.5 million tons at the beginning of the period to nearly 15 million tons during 1912-13. "The average annual increase in the world consumption of sugar for several decades before the War was at the rate of 3%". (The Imperial Sugar Cane Research Conference Report of 1931). Thus in terms of world supply and demand and the progress of the industry the tendency towards a little fall in sugar prices during the period is perfectly intelligible. Another factor contributing to the striking import trade of India in sugar is the nature of the commodity itself. Sugar is an article of general consumption. Individual consumption was small in quantity and value and there was scope with a fall in price for an increase in total consumption. The Review of the Trade of India for 1904-5 has on page 6 the following "Well informed opinion has put the annual production (in India) at 3 million tons which is about one third as much again as appears in the commercial estimates of the crop. Taking the higher estimate as the outside limit and adding the imports of 1904-5 which represent one ninth of the home production the quantity of home consumption provides only 25 lbs per head of the population a rate .... only 28% of the estimated per capita consumption of the United Kingdom in that year. A considerable advance on the present rate of consumption is therefore possible". Then again imported/

imported sugar was at an advantage in competition with home-grown sugar. The increasingly scientific and economic production of it as compared with Indian sugar has been referred to already. "Recent experience has confirmed Mr Noel Paton's estimate that the out turn of raw sugar per acre under cane in India did not exceed 1.25 tons as compared with 2 tons in Cuba, 3.44 tons in Java and 4.02 tons in Hawaii"(p.12 Review of the Trade of India 1907-8) Imported sugar also seems to have had an advantage in the shape of cheaper transport in the country. The Review of the Trade of India for 1901-2 states on page 5 : "Imported sugar can be laid down more cheaply from Karachi than Indian sugar brought into the Punjab from other provinces, the railway finding it expedient to concede favourable terms for sugar from the port". For all these reasons and mainly because imported sugar was refined sugar and cheaper, its consumption became popular in certain parts of the country and it was substituted for home grown to a certain extent." In 1900-01 imported sugar formed only 5.9% of the Indian sugar supply but in 1910-11 it formed 20%. Average imports in the three years ending 1899-1900 represented only 1.96 lbs and annas 2.82 per head of the population. In 1910-11 imports represented 6.79 lbs and annas 8.64 per head of the population. (Review of the Trade of India 1910-11, pp.12 and 13). The effect of the growing import trade on Indian sugar production is borne out by the following/

following figures of the acreage under sugar and the out turn in tons of raw sugar. (The figures are quoted from the Statistical Abstract of British India for the period).

Acreage and Production of Raw Sugar in British India.

Year	Area in acres.	Out-turn in tons.
1900-01	26,513,370	2,276,748
1901-02	2,596,592	2,022,476
1902-03	2,491,172	1,906,784
1903-4	2,416,909	1,871,986
1904-5	2,569,020	2,169,000
1905-6	2,414,860	1,725,500
1906-7	2,623,873	2,205,300
1907-8	2,876,965	2,046,900
1908-9	2,408,212	1,841,800
1909-10	2,442,033	2,127,100
1910-11	2,540,541	2,217,800
1911-12	2,565,770	2,451,100
1912-13	2,712,086	2,583,600
1913-14	2,707373	2,291,500

Thus in a period when the net area sown with crops increased from 197 million acres in 1900-1 to 219 million acres in 1913-14 the area under sugar cane has been practically stationary. The reason for this as stated by the Review of the Trade of India 1910-11 is that "price records show that in 16 years the prices of food stuffs in India have risen by 32%. The price of Indian crude/

crude sugar has risen only 26%. In other words sugar has not fully shared in the appreciation of other food stuffs and it is difficult to dissociate this fact from the circumstance that the world's price of say Java sugar has declined in the same period by 25%". (Review of the Trade of India 1910-11, p.13). The import trade would have increased in a more striking way and the effect of it on Indian sugar production would have been more serious if it had not been for the fact that limits were set to the competition of imported sugar by the wide preference in the country for the home made crude sugar - gur. "There is a class of consumer who for sentimental reasons will prefer gur to sugar at whatever level prices may stand". (p.87. Indian Tariff World Report on Sugar 1931). The substitution of the refined imported sugar for the country made crude sugar was mainly in the towns and especially in the towns on the coasts.

The sugar import trade has during the period gone on increasing from year to year with very few interruptions. In the period under review the annual increase of imports was held up only on two occasions, once during 1902-3 and again during 1911-12. The explanation of the 1902-3 decline of sugar imports was the result of administrative action. The Review of the Trade of India for the year states on page 3 "As the effect of special additional duties imposed on the 6th of June 1902 on sugar produced in Austria-Hungary and Germany and from 1st March 1903 on/

on sugar produced in certain other countries the importation of beet sugar fell last year to just below half the abnormally large imports of 1901-2; but in partial compensation of this decline the imports of cane sugar increased by 41.6%". Thus this decline is the result of extraneous administrative action and not the result of a decline of consumption in the country. On the other hand the decline of sugar imports during 1911-12 was the result of the decline of the world's supply of sugar for the year and the consequent rise of prices. The beet sugar crop of 1910 was estimated at 8 million tons and that for 1911 was only 6,250,000 tons. The Cuban cane sugar also suffered a decline. Thus but for these two interruptions the trade was a very prosperous one.

It now remains to consider the changes during the period in the character of India's import trade in sugar. This can be done by considering the sugar imports as falling into the two divisions of imports of Cane and Beet sugar.

Imports of Cane and Beet Sugar into India - In Cwts.

Year	Cane Sugar	Beet sugar.
1897-98	2,029,330	2,206,064
1898-99	2,238,620	1,526,290
1899-1900	2,063,477	872,515
1900-1901	3,024,074	1,817,590
1901-1902	2,491,907	2,936,196
1902-1903	3,529,334	1,457,517
1903-1904	5,300,682	529,885

Year.	Cane Sugar.	Beet Sugar.
1904-5	4,833,309	1,716,488
1905-6	4,262,929	3,433,262
1906-7	5,926,848	3,803,834
1907-8	9,250,841	794,060
1908-9	8,719,259	1,944,024
1909-10	10,276,897	859,187
1910-11	11,814,187	724,958
1911-12	9,887,693	254,139
1912-13	12,355,463	1,144,869
1913-14	14,556,000	1,504,000

(Figures from the Review of the Trade of India 1900-1914).

In 1897-98 imports of cane and beet sugar into India were almost equal in quantity. Since that time the fortunes of the two commodities in the import trade have been very different. In 1913-14 imports of cane sugar amounted to 14.5 million cwt. and imports of beet sugar to 1.5 million cwt. In other words the forces in operation in the import trade in sugar have made cane sugar the overwhelmingly preponderant portion of the sugar imports into India. Another feature that the table shows is that while imports of cane sugar have been comparatively steady and strong, imports of beet sugar have been very erratic along with a decided tendency to weakness.

Beet sugar imports during the period came from Austria Hungary and Germany. During the opening years of/

of the period the main exporter of cane sugar to India was Mauritius. Beet sugar first appeared in India in 1893-4. The last fifteen years of the 19th century was a period when the beet sugar industry in Central Europe, with the help of bounties and other privileges, increased its production and exports. Consequently these were years when the cane sugar industry suffered badly and beet sugar imports into India increased rapidly. About that time the British Sugar planters of the West Indies found themselves shut out of the American market by the United States of America raising the duties against imported sugar with a view to encouraging their own sugar industry. The West Indian planters felt that they would have got better terms if they had belonged to the United States of America. Noting this attitude Joseph Chamberlain who was at the Colonial Office felt that something ought to be done to satisfy them and started his campaign for imperial preference in general and against bounty fed sugar in particular. To the United Kingdom which was itself not a producer of sugar but a large consumer the continental sugar bounties were advantageous because sugar was cheap. In so far as England joined the campaign against sugar bounties it was to help the British sugar planting colonies, and partly because of the fear of their threat of secession from the Empire. "The course of debate confirmed common knowledge that we are in this business of the Convention chiefly because of the West Indies". (The Sugar Debate" p.1844 Economist Nov.29th 1902)

The Brussels Conference of 1898 was convened to abolish the bounty system but failed to achieve its object. The European commercial interests in India connected with the trade in Mauritius sugar and the British Planters of sugar in Mauritius however were able to persuade the Colonial Office and the Indian Government to levy duties against bounty fed sugar imports. Bounty fed sugar would mean cheap sugar for the time being and the consumer would profit by it while the producer in India would suffer as the result of the low prices. Hence in this case it was good to sppport the producer and a great deal was said in the course of the discussion of the bill to impose countervailing duties, of the detrimental effect to the Indian producer from the imports of bounty fed sugar (C. 9287 of 1899). Over and above the import duty of 5% a countervailing duty was levied on bounty fed sugar after 1899. The figures however of the import of beet sugar from Austria Hungary and Germany from 1900-1 to 1902-3 showed clearly that this countervailing duty was not effective enough to stop the imports and additional duties were levied which served to check the imports of Beet sugar into India. The ending of the sugar bounties served to restore beet sugar from an artificial to a more natural value and in doing that enabled the cultivation of cane sugar to come into its own and since that time the cultivation of cane sugar made steady progress during the period. The following is the percentage of cane/

cane sugar in the world's total sugar supply during the period.

1900-1	38%	1907-8	40.5
1901-2	37.5	1908-9	45.8
1902-3	44.4	1909-10	48.3
1903-4	42%	1910-11	41.2
1904-5	49.5	1911-12	49%
1905-6	40.9		
1906-7	42.4		

(Quoted from H.C. Prensen Garling's "The World's Cane Sugar Industry" p. 39.)

Even after the bounty question was settled beet sugar imports during the period continued to be both weak and erratic. That was because of the increase of consumption of sugar in Europe, which was geographically the market for European beet sugar. That explains the weakening of beet imports into India. The erratic character of the imports was due to the variation of beet crops as a result of the season. Variations of consumption in Europe ~~which was~~ were influenced by factors like the taxation of the commodity or the success of the fruit crop. A good fruit crop would give a fillip to the jam making industry and increase the consumption of sugar.

Attention may now be devoted to the change in the character of cane sugar imports into India: during the opening years of the period the chief exporter of cane sugar into India was Mauritius. Imports from Java were small at the beginning of the period but gained ground steadily till in 1904-5 Java became the chief source of cane/

cane sugar imports into India. That position was consolidated by Java and maintained during the rest of the period. This development was the product of the Reciprocity Convention of 1904 between the United States and Cuba. The preference given in the U.S.A. market to Cuban sugars deprived Java sugar of its assured position in the American market and Java turned its attention to the Indian market to which it was very near.

In concluding this study of the import trade of India in sugar, certain remarks seem appropriate in the light of developments detailed in the foregoing pages. The world's sugar supply during the period consisted of the supply of the central European states, the U.S.A, Cuba, Hawaii, the West Indies, Mauritius and Java. It was a competition that was severe but it was a competition among units all more or less strong and the result of it was that the trade in sugar in a way rationalised itself, every producing region concentrating on its nearest and therefore its natural market. The exigencies of competition and price backed by the natural strength of the contestants brought this about. As Europe was the biggest consumer of sugar and was mainly catered for by the beet sugar crop the price of sugar was largely influenced by that of beet sugar, cane sugar merely following it. The following table shows beet and cane sugar prices in Calcutta from 1903 to 1910.

Year	Beet sugar prices Calcutta per cwt.	Cane sugar prices Calcutta per cwt.
	s. d.	d. d.
1903	13 11	13 7
1904	13 10	13 2
1905	15 7	15 5
1906	11 10	11 11
1907	12 6	12 2
1908	13 10	13 7
1909	13 11	13 10
1910	14 10	14 9

(Taken from Notes on Sugar in India by Noel Paton and quoted by the Indian Tariff Board Report on Sugar 1931, p.89).

The index numbers given earlier in this study of Beet and Cane sugar prices also bears this out.

The attitude of the Government to the increase of sugar imports and its effect on the area and production of sugar cane in India have already been considered and need not be repeated here.

C. The Indian Import Trade in Mineral Oils 1900-1914.

Almost the same arguments that led to a study of the Indian import trade in sugar hold good in the case of Mineral oil imports into India. Kerosene oil being overwhelmingly the most important item in the import trade/

trade in Mineral oils this short study is devoted mainly to a consideration of that item of the Mineral oil import trade. The interest of the trade lies in the fact that Kerosene oil is an article of general use and general use has a special significance in a market with the heavy population of India. It is a commodity in which there was a local industry producing it.

The start for the study is with the values of Mineral oil imports into India. The importance of kerosene in the oil imports is seen from the following table

Indian Imports of Mineral Oils and Kerosene.

	Imports of Mineral Oils in crores of Rupees.	Imports of Kerosene oil in crores of Rupees.
1900-1	3.76	3.10
1901-2	3.83	3.51
1902-3	3.46	3.14
1903-4	3.38	3.07
1904-5	3.27	2.97
1905-6	2.23	1.78
1906-7	2.42	1.96
1907-8	3.15	2.48
1908-9	3.90	3.33
1909-10	3.14	2.51
1910-11	3.38	2.38
1911-12	4.24	3.25
1912-13	3.75	2.56
1913-14	4.11	2.85

(Figures from the Review of the Trade of India 1900-1914)

The items of the Mineral oil import trade are first and foremost Kerosene and then fuel oils and lubricating oils.

From the table given it is clear that while imports of Kerosene oil into India have declined, the total imports of Mineral oil have shown a slight increase which is accounted for by the fact that items of imports other than Kerosene have between the opening and the closing year of the period risen from .66 crores to 1.26 crores, that is have doubled themselves. That is an index to the degree of industrial development that took place in the country during the period.

The decline in the value of Kerosene imports points to the increasing availability in the country of home supplies of Kerosene. During the period Kerosene was the main commodity for the supply of lighting and had no other serious competitor in the field to reduce the demand for it. The following figures of the quantities of foreign Kerosene imports and of coast-wise imports of Kerosene supplies from Burma, explain the decline of the value of Kerosene imports into India during the period.

Indian Imports of Kerosene.

In Million gallons.

	Foreign imports of Kerosene oil.	Coastwise imports from Burma.
1900-1	72.6	8.2
1901-2	91.4	13.4
1902-3	81.4	17.4
1903-4	71.5	35.2
1904-5	76.1	42.7
1905-6	50.9	47.1
1906-7	53.03	61.8
1907-8	65.4	63.8
1908-9	83.5	62.7
1909-10	64.05	81.2
1910-11	56.59	91.8
1911-12	79.4	87.7
1912-13	65.6	100.5
1913-14	68.8	109.0

(Figures from the Review of the Trade of India 1900-1914)

Indian consumption of Kerosene increased during the period from 80.8 million gallons in 1900-1 to 177.8 million gallons in 1913-14. While internal supplies accounted for only one-tenth of the country's consumption in 1900-1, in 1913-14 internal supplies accounted for 60% of the consumption. The period so far as the Kerosene oil trade was concerned was generally one of an increase of world production and consumption. In the trade very severe competition/

competition was engendered in the attempt to find and hold markets. That being so the capture of the Indian market by the British Indian Oil Companies merits attention.

The Indian market for Kerosene is a price market in the sense that the poverty of the masses of the people makes price, not quality, influence the demand for it. This played a large part in determining during the period the trend of the import trade in Kerosene oil. For example up to 1895-6 American case-oil predominated over Russian oil in the import trade. Thereafter Russian oil being cheaper got the better of American case oil. Anent this the Review of the Trade of India for 1900-01 states "The transference of the trade from the United States to Russia means merely a question of relative price. As long as Kerosene oil was almost exclusively used in India by the European population and by the wealthier classes of natives in the towns American oil had the preference since it was of better quality and the difference in price was not to the consumer so material a consideration as the difference in quality. When Kerosene oil reached the native consumer of the lower classes the case was different for he was content with an inferior quality at a lower price" (p.11). Imported Russian oil was further cheapened by being imported in bulk and this put American oil at a still greater handicap. That position is indicated by the following figures of the import of American and Russian oil.

Indian Imports of Oil from the U.S.A. and Russia.

In Million gallons.

Year	Imports of Russian oil.	Imports of American oil.
1896-7	45.48	18.2
1897-8	50.63	23.9
1898-9	50.8	21
1899-1900	57.68	12.7
1900-01	67.3	5.1
1901-02	84.47	5.7
1902-3	71.12	9.22
1903-4	57.3	6.7
1904-5	40.3	7.47

In 1902-3 American oil entered the market as bulk oil and combined with the rising prices of Russian oil, saw a decline of Russian oil and an increase of American. Imports however of American and Russian oil slowed up thereafter as the result of (1) the development of the Burma oil industry as indicated by the figures of coast-wise imports with India. (2) Competitors nearer home entering the field as the result of the revival of the oil industry in Sumatra and Borneo by a coalition of the Royal Dutch and Shell Companies. The advent of this interest into the import trade did not influence or improve the figures of the import trade as the figures of Kerosene oil imports make plain. Imports from Sumatra cut into the Russian share of the trade as a result of being nearer the Indian market than Russia/

Russia and internal disturbances in Russia. Burma oil was able steadily to acquire the predominant share of the supply of Kerosene oil to the Indian market, in spite of the competition of powerful interests like the American and the Royal Dutch and Shell groups. The first factor working to bring this about was that Burma oil being inferior as a luminant was cheaper than American, Russian or Sumatra oil. Oil of the same quality as the Burma oil was produced in the Dutch East Indies, and besides the producing industries had formed a coalition to place their oil on the Indian market. In this effort that body had the initial handicap of being further away from the Indian market than the Burma oil company. The handicap was increased when foreign oil had to pay the 8% duty imposed on it in 1896. In 1910 the duty was raised from 1 anna per imperial gallon to 1 anna 6 The Burma Oil Company's production of oil accounted for only 4% of the world's supply. The company was not able to meet the whole of the needs of India and foreign oil traversing a longer distance and paying a fairly heavy duty was able to enter the country, and the consumer if he needed it had to pay the total cost of landing it in India. Kerosene oil prices were set in India by foreign oil and Burma oil whose landed cost in India should have been cheaper by the shorter distance and the absence of a duty was able to follow the prices of foreign oil with just a difference to make the consumer/

consumer prefer it. The result was that the consumer paid his price but what should have gone into the coffers of the State as excise duty went into the pockets of the Burma Oil Company.

The following table gives the prices during the period of Burma oil and foreign oil of the same quality.

Prices of Oil in India.

	Burma Oil. Victoria Brand per 2 tins.	Borneo Oil. Per 2 tins.
1903-4	3 - 1 - 4	3 - 3 - 8
1904-5	2 - 12 - 5	2 - 14 - 3
1905-6	2 - 11 - 5	2 - 11 - 11
1906-7	3 - 3 - 6	3 - 5 - 4
1907-8	3 - 7 - 10	3 - 8 - 11
1908-9	3 - 8 - 0	3 - 10 - 5
1909-10	2 - 8 - 11	2 - 10 - 0
1910-11	3 - 4 - 9	3 - 6 - 3
1911-12	3 - 3 - 6	3 - 4 - 5

(Figures from the Review of the Trade of India.)

Although a price market the Indian market for oil was one of the biggest markets in the world and certainly the biggest in the East; producers, not without reasons, were keen to get into the market. The steady way in which the Burma Oil Company was increasingly consolidating itself in the Indian market as a result of the advantage of being nearer and being exempt from duty/

duty was the envy of other oil producing concerns such as the Dutch Shell group in the Far East and the Oil Corporation of the U.S.A., the Standard Oil Company. The result was that the period 1900-1914 was marked by periodical incursions of these companies into the Indian market to break the growing monopoly of the Burma Oil Company. The effect of this is seen in the figures of the import trade and in the rate war that broke out periodically. For e.g. in 1904-5 the producing interests in the Far East the Royal Dutch and Shell having formed a coalition proceeded to try to get a share of the Indian trade. The effect was increased imports and as the Review of the Trade of India for that year puts it "the effect of this competition on prices is apparent in their constant fluctuation. The average value per 10 gallons of oil in bulk was lower than in 1903-4 by 10 annas 8 pies. During 1909-10 the duty on imported Kerosen was raised from 1 anna to 1½ per imperial gallon under Act VIII of 1910. 1910-11 and 1911-12 were years of a rate war between the standard and shell interests and according to the Review of the Trade of India "the aggregate reduction of rates from the 15th August to the end of March 1911 ranged approximately from 9 to 19%.

The position then in the import trade in Kerosene oil in the latter part of the 1900-14 period was as is indicated by the following table.

2

	Imports in Millions of gallons. Average of five years 1909-10 to 1913-14.
United States of America	42.5
Borneo	12.5
Straits Settlement	3.1
Persia	.7
Russia	5.0
Other countries	3.1
Total all countries	66.9
Coastwise imports from Burma	93.1

(Source:- Review of the Trade of India 1916-17 p.8).

This study of the import trade of India may be brought to an end with a brief survey of two important items of the import trade namely that in Iron and Steel and in Machinery and Mill work. During the period India mainly relied on imports to provide for her needs of these commodities and a survey of these items provides a clue to the industrial and general development in India during the period. Between the period 1909 - 1913-14 imports of Iron and Steel, and of Machinery and Mill work accounted on an average for 7% and 4% of the imports.

D. Imports of Iron and Steel and Machinery and Millwork in crores of Rupees.

	Iron and Steel	Machinery and Millwork
1900-1	5.94 crores of Rupees	2.3
1901-2	4.86	3.0
1902-3	5.08	2.8
1903-4	6.06	3.35
1904-5	6.15	4.02
1905-6	6.64	4.91
1906-7	7.55	5.79
1907-8	9.75	6.58
1908-9	9.04	6.61
1909-10	8.84	5.07
1910-11	9.44	4.73
1911-12	10.07	4.25
1912-13	11.50	5.88 (including Belting)
1913-14	15.99	8.26

Imports of Iron and Steel for the five years from 1909-10 to 1913-14 amounted to an annual average of 735,300 tons and the United Kingdom supplied 60% of the imports the remainder of the imports coming in order of importance from Germany and Belgium and then the United States of America. Up to the outbreak of the War the United Kingdom supplied almost 90% of the Machinery imported into India largely on account of her heavy shipments of textile machinery/

machinery, electrical plant, prime movers and boilers, tea machinery and plant for every industrial purpose.

A survey of the figures of the import values in both these commodities reveals the fact that the increase of imports in each case during the period was approximately to the same extent. There is a similarity of movement of both imports the only difference being that the time lag involved in variations of prosperity in the country affecting the import trade is as is to be expected longer in the case of imports of Machinery which takes longer to manufacture.

Thus ends the survey of the import trade of India. during 1900 - 1914

CHAPTER VIII.

REVIEW OF THE POST WAR PERIOD 1919-1931.

A General.

In this study of the trade of India the period of the Great War is omitted and attention is focussed upon the main developments of the post-war period. Trade with Europe is a very important part of India's foreign trade. For example "in 1913-14 as regards private trade in merchandise only, no less than 80% of the import trade of India and 57% of her export trade were from and to European countries." ("Review of the Trade of India" 1913-14 p. 8). The Great War was fought in the heart of industrialism and brought the trade of the central European belligerent powers to an end and the restrictions, prohibitions, controls, and other interference with trade not only reduced the quantum of trade but gave it a very serious twist, hence it is not proposed in this study to consider the trade of India during the war period separately; references to developments during the war period influencing the trade of the country during the Post-war period will, of course, not be neglected.

1919 was the first full year of peace and marked the beginning of the endeavour to return to normalcy. That beginning was made possible by the end of fighting, the conclusion of peace, and the easing, but not the ending, of war-time restrictions and control. The features of the 1919 post-war/

post-war situation have been set down as follows:-

"(a) Grave shortages of food and raw materials.

(b) The breakdown in communications by land and sea.

(c) The loss by death of many millions of workers in their prime.

(d) The disorganization of currencies and public finance.

(e) The staggering load of debts.

(f) The dislocation of the channels of trade and the mechanism of industry.

(g) Profound changes in the habits and desires of man.

(h) Revolution and actual starvation in several countries and grave impoverishment in many others.

(i) The inflamed passions and new political grievances which threatened new wars as soon as there was again the energy and the resources to wage them".

(Salter, "Recovery" p. 15).

The post-war period began with a trade boom which was short-lived and was followed immediately by a depression. The boom may be described as a psychological reaction of a money flooded world to the weakening of the restrictions on trade. Normally a trade boom may be regarded as a product of the factors of expanding wealth production, increasing efficiency of production and a hopeful outlook. In the 1919 situation none of these factors existed. On the other hand there was serious monetary inflation to an unparalleled degree. "In Britain between 1913 and 1920 the price level rose more than 3-fold; in France more than $5\frac{1}{4}$-fold; in Italy more than $6\frac{1}{2}$-fold; in Austria between 1914 and 1922 more/

more than 17,000-fold which in 1925 became more than 21,000; in Russia by 1922 over 4,000,000-fold and this in 1923 became more than 6 billion-fold; in Germany for 1920 the rise was only 15-fold but at the peak of inflation in 1923 it went far above the astronomical figure of a trillion-fold". ("Booms and depression", Irving Fisher, pp. 154-155). In the light of this it is not difficult to see that "in 1920 the Budget of only one European state was balanced. No single European currency, save that of Albania, was on a gold basis; the European exchanges for seven years danced and jumped with spasmodic and tireless energy". (Loveday, "Britain and World Trade", p. 31). The boom was followed speedily by a depression and, in order to combat it, the Brussels and Genoa Conferences set before Europe the two definite objectives of a balanced budget and a return to the gold standard respectively. In attempting to return to the gold standard, countries according to the peculiarities of their position accepted one or other of the routes of devaluation, deflation, or repudiation. Clearly it was a period of falling price levels. This is seen from the following table of index numbers of wholesale prices:-

WHOLESALE PRICES.

	U.K.	U.S.A.	Japan.	India.	Italy.
	Economist.	Bureau of Labour.	Bank of Japan.	Official.	Bachi.
1913	100	100	100	100	100
1918	224.9	194	195.8	180	409.1
1919	235	206	236	196	-
1920	283	226	259	204	624.4
1921	181	147	200	181	577.5
1922	160	149	196	180	562.3
1923	162	154	199	176	574.6

(quoted from the Economist Monthly Supplement, August 23, 1924, p. 12)

"The recovery of Europe was indeed remarkable. By 1925, that is seven years after the cessation of war, world production was 18% more than in 1913 and Europe had regained the Pre-war standard and indeed output was 3% greater than in 1913." (p. 7, Loveday, "Britain and World Trade"). This progress would have been greater for Europe and the world if it had not been hindered by hampering circumstances such as the slump in trade in 1920 and 1921, inflation in Germany, Austria and Poland in 1922, the occupation of the Ruhr in 1923, the stabilization crises of 1924 in Germany and Poland, the slump of the French and Belgian currencies, the deflation difficulties in the United Kingdom in 1925, and the British coal strike in 1926. While world production of wealth was in 1925 18% greater than in 1913 world trade was after elimination of price changes about 8% greater than in 1913 and for Europe the index number of trade was 89 in 1924/

in 1924 and 91 in 1925 (1913 = 100). The conclusion pointed to by a survey of world and European production and trade is that "in trade as in production there has been a shift in the centre of gravity from Europe and the Atlantic to America, Asia, Oceania and the Pacific Ocean". (Loveday, "Britain and World Trade" p. 28). The truth was that, emerging from the debauch of a war, Europe was left with the heavy work of reconstruction, a staggering load of debt, high taxation which constituted a burden on industry, currency instability and soaring tariff walls. It was a situation which considerably reduced Europe's capacity to lend and export capital by which means a certain amount of her trade had been financed during the pre-war period. European trade was also reduced by the growth during the war period of industries in her export markets, especially the cotton textile industry in Japan and India.

The period 1925 to 1929 was one of progress. The increase in the world production of wealth is indicated by the following figures:-

1913 = 100

	All products		Raw material & colonial products.		Foodstuffs	
	1925	1928	1925	1928	1925	1928
World	118	129	130	148	111	117

The increasing stabilization of currencies helped in lending and borrowing of capital and the construction and restoration of industrial plant. The indices of industrial/

trial production bear witness to the extent of the recovery:-

INDICES OF INDUSTRIAL PRODUCTION 1926-9.

	1926	1927	1928	1929
United Kingdom	100	107	106	112
Germany	100	146	145	147
France	100	107	118	129
Poland (1925)	100	122	138	138
Sweden	100	110	106	130
Canada	100	134	149	166
U.S.A.	100	112	117	124

The advance in trade during the period is indicated by the figures given below.

QUANTUM OF TRADE.

	Imports 1928 as % of 1913.	Exports 1928 as % of 1913.	Total 1928 as % of 1913.
Europe	111	102	107
North America	161	160	160
South America	124	129	126
Africa	140	125	132
Oceania	135	138	137
Asia	144	154	149
World	124	122	123

(quoted from Loveday, "Britain and World Trade" p. 71)

A feature of the period which is worthy of note was the fall in general prices. The following table of the index number/

number of wholesale prices shows that.

INDEX OF WHOLESALE PRICES.

	Great Britain	U.S.A.	Japan	Germany	India
	Board of Trade.	Bureau of Labour.	Bank of Japan.	Official.	Official.
1924	166	141	207	137	173
1925	159	148	202	142	159
1926	148	143	179	134	148
1927	142	137	170	138	148
1928	140	140	171	140	145
1929	137	139	166	137	141

Considering that during this period there was an increase of world production and trade the fall in price levels may be regarded as the product of the combined action, varying with different countries, of the twin forces making for stabilization of currencies and the rationalisation of production with its effect on the efficiency of production and production costs.

The period 1929 to 1931 was one of a severe depression and its effects on production, trade and prices are unmistakable.

INDEX NUMBER OF WHOLESALE PRICES.

	India	U.K.	U.S.A.	Japan	France
	Calcutta on July 1914=100	1913=100	1926=100	1900=100	1913=100
Sept. 1929	143	135.8	96.1	217.5	608
March, 1930	125	124.5	90.2	195.9	558
March, 1931	100	105.9	76.0	158.3	539

("Review of the Trade of India, 1932-3" p. 3).

The effect on the production of wealth is seen from the table given below.

The following are indices of production of producer's and consumer's goods 1925-1929 = 100.

	Producer's Goods.			Consumer's Goods.		
	Germany	U.K.	U.S.A.	Germany	U.K.	U.S.A.
1927	108	102	92	111	101	102
1928	107	100	104	109	100	100
1929	112	107	113	104	100	104
1930	95	96	83	101	90	88
1931	70	78	54	94	88	89

(compiled from the League of Nations' "World production and prices, 1925-32" Table V. p. 56).

The effect of the depression on world trade is seen from the following figures:-

TOTAL VALUE OF WORLD TRADE.

1929 -1932

in Millions of Dollars.

Year	Imports	Exports	Total
1929	35606	33035	68641
1930	29083	26492	55575
1931	20847	18922	39769
1932	13885	12726	26611

It will be seen that the period of study, 1919-1931, ends with the world as a whole in the grip of a severe economic depression. It is not the object here to discuss the causes of the world depression. This survey of the course of world production/

production and trade in general and of Europe in particular has been intended as the background on which to study the course of Indian trade during the post-war period.

REVIEW OF THE POST WAR PERIOD 1919-1931.

B The Indian Economic Background.

This section is devoted to a brief survey of the main features of the Indian economic background in the post-war period relevant to the study of Indian foreign trade. As the general economic features of the Indian situation have been dealt with at the start of this study, this section is devoted to an account of such changes as took place during this period which may be regarded as influencing her foreign trade.

I. Free trade and *laissez-faire* have been seen to be the main features of the Indian economic policy up to the outbreak of the war. In the post-war period both of these are abandoned and a policy of protectionism and of state-aid is inaugurated. With Britain ruling India and being securely in power, and having a very large interest in trade which was vital to the well-being of herself, with India being her best Market, it could not be expected that either protectionism or state help would be adopted or applied by her with any thoroughness in regard to industrial development. Even so the change from the one to the other was a big step and of profound significance for the course of the country's trade.

The change from the *laissez-faire* policy to state-aid centres round the Indian Industrial Commission and its report. During the war period the helplessness of India, once imports from Europe began to dwindle, came to be realised. This made her/

her turn to countries outside the Empire like Japan and the U.S.A. for such commodities as she needed and was not able to produce then. This, and the poverty and low standard of life of the masses in the country and consequent restlessness of the people, revealed the unsoundness of the Indian economic position and forced the hands of the rulers of the country to consider the position afresh. The government of Lord Hardinge, the then Viceroy of India, in its dispatch of the 26th November, 1915, stated, "It is becoming increasingly clear that a definite and self-conscious policy of improving the industrial capabilities of India will have to be pursued after the war unless she is to become more and more a dumping ground for the manufactures of foreign nations who will be competing the more keenly for markets the more it becomes apparent that the political future of the larger nations depends on their economic position. After the war India will consider herself entitled to demand the utmost help which her government can afford to enable her to take her place, so far as circumstances permit, as a manufacturing country". (quoted from "India Analysed", Vol. II, p. 88). The Indian Industrial Commission was shortly after appointed and was "instructed to examine and report upon the possibilities of further industrial development in India".

The difficulty of obtaining stores for war and the urgent necessity to produce in India whatever could be produced for war purposes led in 1917 to the formation of the Indian Munitions Board. Its purpose was "to control and develop

Indian/

Indian resources with special reference to the needs created by the war, to limit and co-ordinate demands for articles not manufactured or produced in India and to apply the manufacturing resources of India to war purposes with the special object of reducing demands on shipping". The Indian Munitions Board began to function while the Industrial Commission was sitting and its successful working helped the Commission to adopt two fundamental proposals in its Report, namely - "(1) That in future Government must play an active part in the industrial development of the country with the aim of making India more self-contained in respect of men and material, (2) that it is impossible for government to undertake that part unless provided with adequate administrative equipment and reliable scientific and technical advice". (p. 208 "Progress and Condition of India, 1917-18"). Thus the laissez-faire policy of the Government of India came to an end and even if only as a statement it is an important landmark.

The developments which brought the free trade period to an end in India may now be considered. The Joint Select Committee on the Government of India Bill presented its report on the 17th November, 1919, and made the following observation regarding fiscal Autonomy for India. "Nothing is more likely to endanger the good relations between India and Great Britain than a belief that India's fiscal policy is dictated from Whitehall in the interests of the trade of Great Britain/

Great Britain. That such a belief exists at the moment there can be no doubt. That there ought to be no room for it in the future is equally clear. India's position in the Imperial Conference opened the door to negotiation between India and the rest of the Empire but negotiation without power to legislate is likely to remain ineffective. A satisfactory solution of the question can only be guaranteed by the grant of liberty to the Government of India to devise the tariff arrangement which seems best fitted to Indian needs as an integral portion of the British Empire". Developments following this declaration led to the appointment of the Indian Fiscal Commission and the finding of the Commission was, to quote its words, "our conclusions, therefore, are that, in the interests of the consumers generally and particularly of the masses of the people, in the interests of agriculture, in the interests of steady industrial progress, and for the maintenance of a favourable balance of trade, the policy of protection which we recommended should be applied with discrimination so as to make the inevitable burden on the community as light as is consistent with the due development of industries and to avoid abrupt disturbances of industrial and commercial conditions". (Para. 93, page 51, "Indian Fiscal Commission's Report, Cmd. 1764 of 1922"). From all these developments it is clear that the Government of India was in the post-war period freer in the matter of regulating its revenue and protection tariffs. The change in this position is very clearly reflected/

reflected by the fact that while the pre-war period, 1900-14, was one of almost no tariff change, the post-war period was one of repeated and almost annual changes. From 1916 to 1924 the changes, which were all in an upward direction, in Indian tariff rates were solely for Revenue purposes though a protective effect they inevitably must have had. After 1924 protection duties came also to be levied, and these came thick and fast. Partly this was due to the peculiar circumstances of the times when competition became very severe and depreciation of currencies created the danger of exchange-dumping. The fact that a tariff board carefully sifted the evidence in every case of a claim for protection and that the Fiscal Commission laid down very careful principles on which alone the grant of protection to an industry should be given acted against the danger of a protectionist ramp.

A protective duty is assumed to be successful the less revenue it brings into the coffers of the State. In the nature of the case Indian protective duties were planned to equalise the prices of indigenous and imported goods rather than to shut them out. For example "the rates of duty imposed were intended to equalise the prices of imported steel and of similar Indian products". (p. 9 "Review of the Trade of India, 1924-25"). The result of all these tariff changes is seen in the effect upon the customs revenue. The following table gives figures of retained imports, their value, and the Customs Revenue from them -

RETAINED IMPORTS AND CUSTOMS REVENUE.

	Value of imports in crores of Rupees	Volume of imports in crores of Rupees	Index Number of prices of imports	Customs Revenue in crores of Rupees
1913-14	183	183	100	9.22
1919-20	190	101	206	14.6
1920-21	329	142	237	22.41
1921-22	266	124	214	26.91
1922-23	231	138	169	32.58
1923-24	224	120	190	30.97
1924-25	239	137	180	36.86
1925-26	225	147	158	38.40
1926-27	232	156	148	39.41
1927-28	252	181	136	39.86
1928-29	255	190	133	40.37
1929-30	242	189	128	40.33
1930-31	167	157	105	36.72

(Figures compiled from the "Review of the Trade of India", 1913-14 to 1930-31).

In the table column 1 gives the actual declared value of retained imports in crores of Rupees, and column 2 gives the value in crores of Rupees of imports from 1919-20 to 1930-31 in terms of the prices of 1913-14. A conception is thus attained of the volume of the import trade. Column 3 gives the index numbers of the prices of imports and column 4 gives the customs/

the customs revenue from the import trade. The figures in column 2 show that the volume of the trade attained the 1913-14 level only in the three years from 1927 to 1930. As the duties levied were repeatedly raised and they were <u>ad valorem</u> duties it is easy to understand the rise of customs revenue, especially in the earlier years of the period. In the later years while the volume of trade increased prices tended to fall - a factor which should have tended to make the revenues from customs duties maintain themselves rather than increase. The actual increase in the customs duties during this period points to the facts of a widening of the range of dutiable goods, the grant of protection to new industries and the raising of the duties, and the change, which was a popular vogue then, of converting <u>ad valorem</u> duties into specific ones. For example, in 1927-8 with a volume of imports slightly less than that of 1913-14 and import prices 36% more than in 1913-14 the customs revenue was 325% greater than in 1913-14. The practical value of this survey lies in the fact that, if import goods had to bear this additional charge, it may be expected to have very definite effects on their consumption in the country and the volume of imports, and this fact has to be borne in mind when studying the course of the import trade. The actual tariff regulations will be considered in the course of the study of the main items of the import trade and need not be referred to here.

II. Another economic feature of the post-War period in India of importance to the study of her trade was the rate of Exchange. It has been seen that under the international gold standard Rupee-exchange in the pre-war period, 1900-14, was stable at 16d. and kept within the gold points throughout the Whole period except for a very brief lapse in November, 1907. It was too much to expect that from the general upset of the War the Rupee exchange should come through unscathed. The 1s. 4d. Ratio for the Rupee was decided upon under the shadow of the falling price of silver in 1892. In giving the Rupee the legal value of 16d. which was well above the value of the silver in it at the close of the 19th century, the Rupee was made safe against a fall in the value of silver. During the War period silver rose in value. From a price of 23d. per ounce in September, 1915, it rose steadily to 43d. per ounce in September, 1917. At 43d. per ounce the legal and the intrinsic value of the rupee coincided and the rupee could be said to become what is called good money. The exchange value of the Rupee had to be raised to 17d. to protect the circulation. From 43d. per ounce in August, 1917, the price of silver rose to 58d. in May, 1919, and 78d. per ounce about the middle of December, 1919. At this period Indian currency practically approximated to the silver standard and with the rise in the value of silver the exchange value of the Rupee rose also. The rate of exchange in demand bills was 1/6$\frac{1}{32}$d. in April, 1919, 1/8$\frac{1}{32}$d. in May, 1/10$\frac{1}{32}$d. in August/

August, 2/0$\frac{11}{16}$d. in September, 2/4$\frac{15}{16}$d. in December. During the War period the dollar-sterling exchange was pegged at 4.76$\frac{7}{16}$\$. When this control was ended in March, 1919, the depreciation of sterling in terms of the dollar was seen to be about 30 per cent. This depreciation came to be reflected in the rupee sterling exchange and what with the high price of silver, the Rupee exchange rate soared still higher. The exchange rate during the latter half of 1919 reflected (a) the rising price of silver, (b) the depreciation of sterling, (c) the favourable balance of trade of India, (d) the boom conditions prevailing then. The confusion prevailing was patent. The Secretary of State for India, however, appointed a Royal Commission to examine the Indian currency and exchange conditions. The Committee commenced its sittings in May, 1919, and drew its report by the end of the year. Its two recommendations, published in February, 1920, and accepted by the Government of India, were (1) the linking of the Rupee to gold, not sterling, and (2) the Ratio of 2 Shillings gold for the Rupee. While this Committee was drafting its report, the British Government was accepting the policy of deflation laid down by the Cunliffe Committee. In February, 1920, the price of silver rose to 89½d. and the rupee exchange could not but reflect its legal value of 2 Shillings gold and the high price of silver and the depreciation of sterling in terms of gold. Thus exchange rose to as high as 2s. 10d. in February, 1920. Silver thereafter began to fall in value. It fell to 72$\frac{1}{8}$d. on the/

on the 1st April, 1920, 52d. in July, 1920 and $33\frac{1}{8}$d, on the 31st March, 1921. There appeared then the following features (1) a fall in the price of silver, (2) a general fall of prices, (3) the boom turned into a slump and the demand for Indian exports fell off and the balance of trade became unfavourable to India. The 2/- gold rates for the Rupee having been accepted by Government had to be maintained. The demand for sterling consequent on the over-valuation of the Rupee in terms of it and the unfavourable balance of trade led to a large sale of reverse councils at the 2/- gold rate. That Rate failing to be effective the Secretary of State changed it to 2/- sterling as from 24th June, 1920, the market value having fallen below this rate. It was continued until the 28th, December, 1920, and then the attempt to maintain the exchange rate was given up. Under the circumstances of falling prices an endeavour to make the 2/- gold or sterling rate effective would have necessitated a large contraction of currency which would have had disastrous repercussions on trade in India. Hence the contraction of currency had to be much less than the actual Rupee value of the reverse councils sold and this was also a fact which insured the defeat of the 2/- Ratio. Left to take its own course exchange fell to $1/2\frac{7}{8}$d. sterling which was equivalent to under 1/- gold in March, 1921. Below is given the highest and lowest rates of exchange during the period:-

INDIAN RATES OF EXCHANGE.

	Highest Exchange Rate	Lowest Exchange Rate	Average
	s d	s d	s d
1919-20	2 10$\frac{9}{16}$	1 6$\frac{1}{32}$	
1920-21	2 4$\frac{1}{8}$	1 2$\frac{15}{16}$	
1921-22	1 5$\frac{3}{4}$	1 3$\frac{3}{16}$	1922 - 1 3$\frac{27}{32}$
1922-23	1 5$\frac{3}{16}$	1 3$\frac{3}{32}$	1923 - 1 4$\frac{3}{8}$
1923-24	1 5$\frac{1}{4}$	1 3$\frac{15}{16}$	1924 - 1 5$\frac{5}{8}$
1924-25	1 6$\frac{9}{32}$	1 4—	1925 - 1 6$\frac{7}{16}$
1925-26	1 6$\frac{5}{32}$	1 5$\frac{13}{16}$	1926 - 1 6$\frac{1}{4}$
1926-27	1 6$\frac{1}{32}$	1 5$\frac{3}{4}$	1927 - 1 6$\frac{9}{32}$
1927-28	1 6$\frac{3}{32}$	1 5$\frac{3}{16}$	1928 - 1 6$\frac{11}{32}$
1928-29	1 6$\frac{1}{16}$	1 5$\frac{27}{32}$	1929 - 1 6$\frac{11}{32}$
1929-30	1 5$\frac{31}{32}$	1 5$\frac{3}{4}$	1930 - 1 6$\frac{1}{16}$
1930-31	1 5$\frac{7}{8}$	1 5$\frac{3}{4}$	1931 - 1 6$\frac{1}{4}$

(Figures from the "Review of the Trade of India").

(Average rate figures from the "Statistical Abstract from British Trade" 1921-22 to 1930-31, pp. 332 & 333).

The years following the slump year, 1920, were years of good agriculture seasons. As a combined result of good Monsoons, favourable export trade, increased external demand for rupees, and contraction of currency, the exchange rate steadily rose to 1/4 gold in October, 1924. The extent to which contraction of currency was brought into operation to put up the exchange rate may be realised from the following figures. In 1920-21 the amount of contraction of currency was 3158 lakh, in 1921-22 it was/

it was 111 lakh and in 1922-23 it was 569 lakh. All this had the effect of raising the exchange rate of the Rupee to 1/6 sterling and 1/4 gold. When, in 1925, Great Britain returned to the gold standard 1/6 sterling became equivalent to 1/6 gold. It is strange that when most of the countries of the world had devaluated their currencies, some had repudiated it, and Great Britain returned to the pre-war parity, India alone of all countries in the world should appreciate the value of her money. It may be interesting, and perhaps relevant, in this connection to set down the following statement from page 21 of the Report "on the conditions and prospects of British trade in India at the close of the war by His Majesty's Senior Trade Commissioner in India and Ceylon (Cmd. 442 of 1919)". "The effect of the rise in exchange from 1/4 to 1/8 is automatically to reduce the local price of overseas imported goods expressed in rupees by 20%. This has been a great stimulus to the import trade particularly in the case of cotton piece goods where the discrepancy between Calcutta offers in rupees and Manchester quotations in sterling was frequently bridged by the exchange, and many orders were placed this spring which otherwise would not have gone through. High exchange also places the British maker in a more favourable position vis-a-vis his competitor in India. On the whole, therefore, his material interests would appear to be best served by the fixation of exchange at as high a rate as may be possible in the circumstances". The explanation given by the Finance member was that at the 1/6 ratio/

ratio prices in India had adjusted themselves to world prices. It is not proposed here to enter into the controversy, which at that time was a bitter and acrimonious one, whether prices had adjusted themselves to that rate of exchange or not. The fact that a large contraction of currency at the expense of a high bank rate had to be gone through to put up the rate to 1/6 in 1924, and a large contraction of currency subsequently had to be resorted to, to correct the tendency to weakness in the exchange rate, points plainly to the fact that whatever the degree of adjustment attained when it was decided to make 1/6 the rate of exchange it was not complete and needed a net contraction of note issue to the extent of 102.5 crores to correct the weakness of exchange during the period 1926-7 to 1930-31. (Report of the Controller of Currency for 1930-31, p. 14). The gold exchange standard is less automatic and fool-proof than a straight forward gold specie standard. This, combined with the fact that the currency authority in India then was the Government, makes it very difficult to differentiate between what is manipulation of currency and exchange and what legitimate intervention in discharge of its responsibility to maintain the integrity of the monetary unit set up by law. Under the circumstances it would be of more practical value to see how far the trade of India during the period was affected by and showed the influence in it of the variations in the rate of exchange.

REVIEW OF THE POST-WAR PERIOD 1919-1931.

C Course of Indian Trade 1919-1931.

Bearing in mind the features of the Post-war period of importance for trade, a study of the course of Indian foreign trade is now appropriate. The following table gives (1) figures of the actual value of imports and exports, and (2) the value of these calculated in terms of prices in 1913-14.

INDIAN IMPORTS.

Year	Value of Imports in crores of Rupees	Value of Imports in terms of 1913-14 prices Volume of Imports	Index Number of prices of Imports
1913-14	183	183	100
1919-20	190	101	206
1920-21	317	142	237
1921-22	252	124	214
1922-23	217	138	169
1923-24	214	120	190
1924-25	233	137	180
1925-26	216	143	158
1926-27	223	156	148
1927-28	240	181	136
1928-29	246	190	133
1929-30	234	189	128
1930-31	160	157	105

INDIAN EXPORTS.

Year	Value of Exports in crores of Rupees	Volume of Exports	Index Number of prices of Exports
1913-14	244	244	100
1919-20	309	198	158
1920-21	238	172	140
1921-22	231	182	127
1922-23	299	214	140
1923-24	348	240	145
1924-25	384	250	154
1925-26	374	246	152
1926-27	301	228	132
1927-28	319	248	130
1928-29	330	260	127
1929-30	310	263	118
1930-31	220	235	94

("Review of the Trade of India" 1919 to 1931).

The features of the import and export trade revealed by these figures may be noted. The export trade shows earlier recovery and better health through the period than the import trade. The pre-war value ~~volume~~ of exports was attained as early as 1922-23 and exceeded in the years following, except for the years 1926-7 and 1930-31. The decline of actual value in 1926-7 was to the extent of 74 crores of which Raw Cotton and Manufactures accounted for 35 crores, falling by 24% in quantity and 38%/

and 38% in value. ("Review of the Trade of India"). Oil-seeds declined by $10\frac{1}{2}$ crores and Rice by 7 crores. It was, as will be seen from a glance at the index number of export prices, a year marked by a 20 point fall of the index number of export prices. The 1930-31 decline in volume of the export trade was also due to the fall of prices which in this case was far more spread out over the articles of the export trade. Except for these two years then the export trade showed quicker powers of recovery and greater strength. This was due to the influence of the following factors:-

I. India was not injured by the War in the way in which the production economy of the belligerent states was. In fact the War brought a certain measure of prosperity to India though the production and export of some commodities, like Jute, was reduced. Hence recovery was beset with fewer difficulties in the case of India. The main produce and exports of India during the period were raw materials. The figures reveal that, during the post-war period and even in 1913-14, Indian exports of raw material in value were double India's exports of manufactured products. A set-back to her production of Raw material usually resulted from a failure of the rains. During the period under review serious failure of the Monsoon was very rare. There was a failure of the Monsoon in 1918 and a partial failure in 1920 and a Monsoon slightly below normal in 1928. On the whole the Post-war period was a remarkable run of successful agricultural seasons.

So that/

So that on the production side the absence of interruption made conditions secure for a steadily expanding export trade, should the demand for them and the price to call out exports of them be ready to play their part.

II. Other factors that made for an early recovery and strength of the Indian export trade were the following. The main exports were Raw Materials and in many of them, such as Jute, Lac, Rice, Sour Oilseeds, Tea, and Hides and Skins, India was in a strong position as a source of supply to the world market. The post-war period was one of increasing industrialism. Industrial states were becoming more industrial, and new states were also turning to industrial production. This was a factor making for a strengthening of the demand for Indian Raw Material. The trade in Raw Material was less hampered by tariffs than the trade in Manufactured Goods, and that can definitely be regarded as a factor making for freer and fuller trade in them. The Indian export trade, moreover, was more widely and evenly distributed over the world than her import trade in which Europe had the overwhelming part and the United Kingdom had the lion's share of that, even if that share was a dwindling one. During the pre-war period the terms of exchange as between producers of Raw Material and Manufactured Goods was in favour of the former. In the post-war period the index number of prices of imports which are mainly Manufactured Goods and of exports which are mainly Raw Materials shows that the terms of exchange was in favour of the/

of the producers of Manufactured Goods. So far as the demand for Indian Raw Material was concerned this meant a strengthening of demand. On the supply side a lower price might have been expected to reduce the supply. But 70% of the huge population of India were tied to agriculture with no chance of an alternative occupation. A position like that could not be expected to reduce the output of Raw Material produce even if prices fell. There may be a shift of agricultural production, as, for example, from the production of a commodity particularly depressed in price to one not so depressed. This happened during the period in the case of oilseeds when groundnuts were increasingly sown and the area under the cultivation of linseed or sesamum was stagnant or declined. On the whole the total net area sown with crops in British India increased from 223 million acres in 1921-22 to 229 million acres in 1930-31. (Statistical Abstract for British India, pp. 430 & 431, for the period). It has to be remembered that 1930-31 was a depression year. These are briefly the factors that made for an early recovery and general strength of the export trade.

To take up now a brief survey of the course of the Indian export trade. 1919-20 was the first year after the end of the War. It was a boom year, prices were rising. The easing of war-time prohibitions and controls led to a high export trade. Indian exports increased monthly from 22½ crores in April, 1919, to the record figure of 31½ crores in March, 1920. Thus "trade boomed in spite of Railway and Cable congestion and of/

and of the inevitable reaction of high prices, labour difficulties, fluctuating rates of exchange and continuance of Government control over the trade in such important foodstuffs as wheat and rice". ("Review of the Trade of India" 1919-20, p. 1). "The rate of the Rupee exchange during the year rose from $1/6\frac{1}{32}$d. in April, 1919, by steps to $2/10\frac{9}{16}$d. on the 11th February, 1920, and fell to $2/3\frac{7}{8}$d. at the end of March". ("Review of the Trade of India" 1919-20, p. 35). The steady increase of the quantity of the export trade month by month during the year makes it clear that the strong demand for Indian exports in world markets, expressing itself in rising prices, was able to override any weakness that the rising rate of exchange might otherwise have caused in the export trade. Thus even the abnormal rise in the rate of sterling did not leave any impression on the export trade which, theoretically, it might be expected to have done. According to the "Review of the Trade of India" for the year, the volume of exports increased by 22% and their prices by 6% over the previous year.

1920-21 revealed that there was no stability in the prevailing boom. Deflation and falling prices were the rule right from the beginning of the year. The following index numbers of the general prices of the United Kingdom, the U.S.A., and Japan show that clearly.

	U.K.	U.S.A.	Japan
	Statist	Bradstreet	Oriental Economist
1st April, 1920	261.8	20.87 $	317.5
1st March, 1921	183	11.86	219.4 1st Dec. 1920.

("Review of the Trade of India" 1920-21, p. 1).

The exchange rate fell, according to the chart of the "Review of the Trade of India" for 1920-21 (p. 39), from 2/3d. in April, 1920, to 1/4d. in March, 1921. The weakness of the export trade became early apparent. The export trade which had touched the record figure of 31½ crores in March, 1920, fell to 28½ crores in April and steadily declined till it was 18 crores in March, 1921. The features in the situation contributing to this decline were (1) that prices and exchange were falling and in a falling market no one would like to buy except for immediate needs. The large exports of the previous year had stocked foreign markets well with Indian goods and they could afford to wait. (2) Taxation was everywhere high, financial stringency prevailed, foreign exchanges were capricious and unrest was beginning seriously to affect the world's industries. (3) Russia and Central Europe were still out of the market and India had lost in them some of her principal customers. (4) It was a year of poor harvests in India and the embargo on the export of food grains had to be continued. The net result was that the balance of trade in the year was unfavourable to India to the/

to the extent of 79 crores. In the previous year exports exceeded imports by 126 crores.

1921-22 was a year of unrelieved depression. Two factors which seemingly hampered business throughout the year were the falling tendency of prices and the instability of exchange. Thus exports of merchandise fell from 238 crores in the previous year to 231 in 1921-22. With 1922-23 began the revival of the Indian export trade. The value of exports jumped up from 231 crores in 1921-22 to 299 crores in 1922-23. This was the result of good harvests in India and the fact 'that most European countries showed notable improvement in practically all branches of industrial and commercial activity'. The removal of the embargo on the export of food grains contributed effectively to the increase of the export trade. The recovery in the export trade inaugurated in the previous year was continued in 1923-24 with good harvests in India and a steady advance towards stable economic conditions in Europe. The export trade advanced from 299 crores during 1922-23 to 348 crores during 1923-24. Progress towards stabilization was the keynote of the Economic history of 1924-25 in Europe. The following table shows the effect of increasing stabilization of currencies and exchange in Europe on its trade:-

	1922	1923	1924	1925	1926	1927
Foreign trade index.............	100	105.5	123.8	129.5	130.2	144.8
Currency fluctuations index	13.2	10.7	2.6	1.4	1.6	0.9

(quoted from Monetary Stability Supplement Economist, p. 2, November 10, 1928).

With a good Monsoon the export trade of India grew from 348 crores in 1923-24 to 384 crores in 1924-25 and this with the Rupee exchange steadily rising from near 1/4½d. in April, 1924 to 1/6 in March, 1925. If the rate of exchange was a major factor determining trade it would be expected that the export trade would show some weakness this year. It is clear, however, that what influence towards weakness of the export trade the rising exchange rate may be expected to impart, the effect is not perceptible because of the influences of strength of demand and the security given by stable price levels. Of course, in the light of the violent fluctuations of exchange in the immediate past, the fluctuation of this year was certainly mild. The trend of 1925-26 was that of a slight tendency to falling prices. The following index numbers bear that out:-

	U.K. Statist	Japan Bank of Japan	U.S.A. Bradstreet	India Calcutta
April, 1925	137.5	266.9	13.3	164
March, 1926	126.1	243.9	13.1	151

In spite then of good harvests and strength of demand the value/

the value of the exports of merchandise in 1925-26 fell by 10 crores from 384 to 374 crores. The trend of falling general prices continued in operation during 1926-27.

	U.K. Statist	Japan Bank of Japan	U.S.A. Bradstreet	India Calcutta
April 1926	125.5	238.9	12.9	149
March 1927	123.6	226.6	12.5	146

The coal strike in the United Kingdom caused a rise in the freight rates during the year. The economist index number of Whole Cargo Charter Rates was 122 in March, 1927. The fall in prices which was general during this year was the result of the return to gold. If returning to the pre-war parity, as in the case of the United Kingdom, necessitated deflation, then the return to a rate higher than pre-war in the case of India necessitated deflation even more so and the weakness of exchange in this year pointed the necessity of deflation to keep it up. Thus during 1927-28 the export trade increased by 18 crores and freight rates showed a distinct tendency to fall. This year, 1928-29, was one of prosperity, though, with increasing stabilization of currencies, there was a tendency to a downward movement of prices. In India the Calcutta index number of wholesale prices was 146 in April, 1928, and fell to 143 in March, 1929. The export trade, however, advanced from 319 to 330 crores during this year./

year. It was a year in India of labour strikes and unrest. During 1929-30 the export trade declined by 20 crores of Rupees. The fall in prices began from October, 1929, and the decline of the prices of India's staple exports was pronounced. Between September, 1929, and April, 1931, the fall of prices in these was very serious amounting to 37% in the case of India's exported commodities. Thus between 1928-29 and 1930-31 the value of the export trade declined by a third.

Looking at the values, the volume and the index number of prices of imports, certain factors stand out quite clearly. Unlike the export trade the import trade has been slower in recovery and has shown less strength. It was only in 1927-8 that it regained the volume of 1913-14. The explanation of this disparity between the trends of the import and export trades lay in the higher prices of imports compared ~~to~~ with what India got for her exports. The following table shows the extent to which prices of imports were higher than that of exports during the period.

INDEX NUMBERS OF EXPORTS AND IMPORTS.

	Imports	Exports	Difference
1913-14	100	100	-
1919-20	206	158	48
1920-21	237	140	97
1921-22	214	127	87
1922-23	169	140	29

(Continued)

INDEX NUMBERS OF EXPORTS AND IMPORTS (Cont.).

	Imports	Exports	Difference
1923-24	190	145	45
1924-25	180	154	26
1925-26	158	152	6
1926-27	148	132	16
1927-28	136	130	6
1928-29	133	127	6
1929-30	128	118	10
1930-31	105	94	11

It was only in the latter part of the period when the index number of prices of imports came down and considerably bridged the gulf between them and the index number of export prices that the volume of the import trade got back to its pre-war level. The general lack of resistance and elasticity shown by the import trade is to be attributed to the effect of rising Revenue and Protective tariffs that was a feature, the former of the whole period and the latter after 1924.

Looking at the course of the import trade it will be seen that it took time to gather strength compared with the export trade. Industry had to get back to some sort of peace-time basis to be able to execute orders. In spite them of the boom in trade, the import trade did not in 1919-20 show the advance of the export trade. The time lag between the placing of an order by an importer and the execution of it and its arrival in India has been referred to thus by the "Review of the Trade/

the Trade of India" 1920-21. - "Trade return of imports are invariably out of date as a record of business transactions, for, even in normal years, they indicate values on arrival in fulfilment of orders placed three, six, or even (in the case of Machinery) twelve months earlier." Thus with soaring exchange and prices and a boom which expressed itself in an inordinate amount of company flotation - 906 companies with an aggregate authorised capital of 275 crores were registered in British India and Mysore as against 290 companies with a capital of 21 crores in the preceding year - the import trade had to wait till the next year to show the effects of it when it rose to the value of 317 crores. This abnormal importation was partly due to the fact that India during the war period was starved of the Manufactured goods that she needed, especially producers' goods. The boom and the high rate of exchange materially assisted to swell the import trade. The high prices of these goods would normally have acted as a check to the import trade if it was not for the fact that the high exchange value of the Rupee and the sale of reverse councils helped importers to get sterling very cheap.

Another factor that tended to stimulate the import trade during 1920 is referred to thus - "A special feature of the later years of the war and of subsequent years also was the insistence of Exchange Banks in India on the production of cover, at first as a condition of financing export trade, later to financing imports. The insistence on cover for export/

export bills during 1917 and 1918 is a point of special importance to the present survey for it encouraged export firms to take up import business in order that they might be able to provide the necessary cover themselves and thus avoid the premium demanded for cover in the open market. This development undoubtedly stimulated the demand for foreign goods and the import business, once engaged in, was retained by many firms and must have helped to swell the volume of orders for foreign goods during 1920". ("Review of the Trade of India" 1920-21, p. 39). The slump setting in during the year, imports steadily declined for the next three years and it was only in 1924-25 that the import trade began to recover. This recovery was the combined result of the rise in the exchange rate in that year, the rise of the prices of exported goods and the progress of stabilization in Europe and increasing production and trade. The import trade again had a set-back as the result of the coal strike but it recovered thereafter and had a period of a mild prosperity till it got completely enveloped in the depression subsequent to 1929. In 1930-31 the value of imports declined to 160 crores.

REVIEW OF THE POST-WAR PERIOD 1919-1931.

D Distribution of India's import and export trade.

The distribution of the import and export trade of India may now be considered. The following table gives the shares of the trading countries in India's import trade:-

PERCENTAGE SHARES OF THE DIFFERENT COUNTRIES IN THE IMPORT TRADE.

	Pre-war average	War average	1919-20	1920-1	1921-2	1922-3	1923-4	1924-5	1925-6	1926-7	1927-8	1928-9	1929-30	1930-1
U.K.	62.8	56.5	50.5	60.9	56.6	60.2	57.8	54.1	51.4	47.8	47.7	44.7	42.8	37.2
Ceylon.....	.5	1.1	1.2	.6	.5	.6	.6	.6	.7	.6	.8	.8	.7	.9
Straits Settlements	2.1	3.0	2.9	1.4	1.5	1.9	2.2	2.0	2.5	2.5	2.3	2.0	2.6	2.4
Australia..	.7	.8	1.6	.4	3.5	.4	.5	.3	.6	.7	.8	3.3	2.3	1.5
Hong Kong..	.7	.9	1.3	.7	.6	.6	.5	.5	.4	.4	.5	.5	.3	.5
Japan......	2.5	10.4	9.2	7.9	5.1	6.2	6.1	6.9	8.0	7.1	7.2	7.0	9.8	8.8
U.S.A......	3.1	7.0	12.1	10.5	8.1	5.7	5.7	5.7	6.7	7.9	8.2	6.9	7.3	9.2
Java.......	6.4	7.8	9.4	4.6	8.9	5.5	6.2	6.3	6.2	6.2	5.9	6.5	5.7	6.3
France.....	1.5	1.3	.8	1.1	.8	.8	1.0	1.0	1.4	1.5	1.7	1.9	1.9	1.8
Italy......	1.0	1.2	.6	1.2	.8	.9	1.2	1.6	1.9	2.7	2.7	2.9	2.8	2.7
China......	1.1	1.3	1.8	.9	1.0	1.2	1.5	1.1	1.2	1.4	1.8	1.7	1.7	2.0
Netherlands	.9	.6	.5	.9	.8	.9	1.0	1.2	1.6	2.0	1.9	1.9	1.8	2.0
Belgium....	1.9	.3	.3	1.6	2.1	2.7	2.4	2.7	2.7	2.9	3.0	2.8	2.8	2.8
Germany....	6.4	.7	-	1.4	2.7	5.1	5.2	6.3	5.9	7.3	6.1	6.3	6.6	7.5
Austria....	2.2	.2	.1	.2	-	.1	.3	.3	.4	.5	.5	.6	.5	.5

(Review of the Trade of India).

The outstanding feature of this table is the steady decline of the share of the United Kingdom in the Indian import trade. This is quite contrary to what happened in the pre-War period when with expanding import trade the United Kingdom was able to maintain her share of the import trade at 64% of total imports. The decline in the British share of the Indian import trade is broadly a reflection of the weakness shown during this period of the British export trade as a whole. The following figures bear evidence to that fact.

	Values of Total British Export trade as % of 1924 = 100	Values of British Export of articles wholly or mainly manufactured.
1924	100	100
1925	97.3	98.2
1926	91.7	92.8
1927	86.5	87.3
1928	86.3	86.7
1929	84.1	84.8
1930	80.3	81.2
1931	71.8	72.3

(quoted from Macrosty - "The Overseas Trade of the United Kingdom 1924-31" p. 610 J.R.SS Part IV. 1932).

This decline in British Export trade is to a great extent accounted for by the following <u>Figures of average values of Raw Materials and Manufactures 1924-31</u>.

Average Values of Raw Materials and Manufactures 1924-31

~~BRITISH RETAINED IMPORTS OF MANUFACTURES AND RAW MATERIALS.~~

1924 = 100

	1925	1926	1927	1928	1929	1930	1931
Retained imports of Raw Materials......	96.8	81.9	76.2	81.8	78.1	64.9	48.1
Retained imports of Manufactures.......	96.5	91.1	86.7	84.6	84.5	78.5	66.6
British Exports of Manufactures.......	98.2	92.8	87.3	86.7	84.5	81.2	72.3

Ibid. (p. 615).

"Thus the fall in food prices has greatly reduced the cost of living from 75% over 1914 in 1924, to 64% in 1929, and to 48% at the end of 1931..............The average level of the Rates of wages in 1926 and up to 1930 was from 70 to 75% above that of July, 1913". (Macrosty, p. 616). Ibid. The conditions suggested by these figures is that a lack of adjustment of wages to prices was a serious cause of disequalization and weakness in the export trade. "Our wages whilst comparing unfavourably with those in the U.S.A...... were much higher than those paid by any of our chief European competitors". (Macmillan Committee report p. 53). This was serious because the years after 1925 representing the second phase of recovery from war dislocation were marked by the growth of production, trade and general material well-being in the U.S.A., Germany, and Japan in particular and in certain other countries, and by rapid technological advance in agriculture and in some few manufacturing industries such as wireless/

as wireless apparatus, electrical goods, automobiles, and artificial silk. In the U.S.A. "industry has been highly rationalized and the use of power and labour-saving machinery has made possible a large increase in production with a smaller number of workers in employment. For example, between 1919 and 1929 production rose by 42% whereas the number of wage-earners was reduced by 6%". (Joliffe "The U.S.A. as a Financial Centre" 1919-1933 p. 1). "In Japan between 1929 and 1930 the proportion of the Japanese population engaged in industry actually declined from 19.1 to 18.4%. The general index of of industrial production rose between 1920 and 1930 by 39%". (p. 168 "Eastern industrialism and its effects on the West with special reference to Great Britain and Japan" by G.E. Hubbard). Similarly in the case of Germany (see "Britain and World Trade" Loveday, p. 95). Great Britain was handicapped in many ways from sharing similar development. The return to the gold standard and the general strike of 1926, and the rigidity of wages all were handicaps in a world more strongly and severely competitive than the pre-war period. "Had the pound been stabilized in 1925 at a lower figure it would have removed one initial handicap". (p. 42 "The Gold Standard and its Future" T.E. Gregory). As against the industrial and other progress of the U.S.A., Germany, and Japan, that of the United Kingdom was comparatively small. The table below gives the index numbers of industrial production in the United Kingdom.

INDEX OF INDUSTRIAL PRODUCTION.

Board of Trade 1924 = 100.

1924	=	100
1927	=	107
1928	=	106
1929	=	112
1930	=	103

(quoted from G.D.H. Cole "British Trade and Industry Past and Future" p. 202).

In the latter part of the post-war period then the competition engendered was severe and Britain's competitors in the Indian market were able to help themselves to some of her share of the import trade. "It seems generally agreed that an increased choice of all classes of goods has become open to the overseas purchasers and that the field of effective competition has broadened in most classes of goods so that traditional business connections of a semi-monopolistic kind have lost much of their value. The offer of alternative choices affected Britain more than most other countries.

The British Economic Missions have found in most of the markets they examined that high price is the chief difficulty facing British Expansion". (p. 526 "Britain's Access to Overseas Markets" "Economic Journal" December, 1932, R.B. Forrester).

The advance of the shares of the U.S.A., Japan and Germany, and Belgium, in the import trade of India has been mainly at the expense/

the expense of the United Kingdom. Another point to notice in this connection is that Great Britain stood in one respect in a very vulnerable position with regard to her share in the import trade. That was, that, while India exports more to all other countries individually than she imports from them, it is only in the case of the United Kingdom that she imports more than she exports.

To conclude, the general trend of Great Britain's export trade during the post-war period up to the period considered here - 1931 - was one of stagnation if not decline. The proportion of the decline over the various areas is given in the following table.

PROPORTION OF TOTAL IMPORTS OBTAINED FROM THE UNITED KINGDOM.

	1913	1925	1927	1928
	%	%	%	%
Europe	8.4	9.2	8.1	7.7
North America	16.8	11.2	10.3	10.1
South America	27.9	21.2	18.7	18.8
Africa	36.7	34.6	32.9	31.3
Asia	31.5	19.9	18.6	18.9
Oceania	53.4	46	43.2	44.4
World	14.5	13.3	12.1	11.7

(Loveday "Britain and World Trade" p. 150).

"The figures render it abundantly clear that our loss of status has been greatest in the American Continent and Asia where the effects of the war were least". (Ibid. p. 150).

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DISTRIBUTION OF INDIA'S EXPORT TRADE IN MERCHANDISE 1919-31.

	Pre-war Average	War Average	1919-20	1920-1	1921-2	1922-3	1923-4	1924-5	1925-6	1926-7	1927-8	1928-9	1929-30	1930-1
U.K........	25%	31	29.9	21.9	20	22.4	25	25.5	21.0	21.5	25	21.4	21.9	24
Ceylon.....	3.7	4.3	3.4	4.6	5.0	4.1	3.6	3.7	3.9	4.8	4.8	4.2	4.2	5
Straits Settlements	3.4	2.7	2.3	3.5	3.1	2.6	2.4	2.1	2.6	3.1	2.8	2.4	2.5	2.8
Australia..	1.4	2.2	1.0	2.4	1.6	1.7	1.6	1.8	2	2.5	2	2.2	1.8	2
Japan......	7.5	11.2	14.2	9.4	15.7	13	14.1	14.3	15	13.3	8.9	10.2	10.2	10.6
U.S.A......	7.5	11.9	14.8	14.7	10	11	9.4	8.8	10.4	11.1	11.1	11.8	11.6	9.4
Java.......	1.3	1.1	.6	1.2	1.7	1.0	1.0	.7	1.2	1.0	.7	1.1	1.3	1.2
France.....	6.6	4.5	5.1	3.7	4.0	5	5.5	5.3	5.5	4.5	4.9	5.3	5.3	5
Italy......	3.2	3.9	2.5	2.6	2.4	3.3	6.0	5.9	5	3.7	3.9	4.4	3.6	3
China......	3.9	2.0	3.3	3.3	4.5	4.4.	2.9	2.4	4	3.7	1.4	2.8	4.0	5.9
Netherlands	1.5	.2	.5	.5	1.1	1.3	1.6	2.0	2.0	2.0	2.4	2.1	2.8	2.9
Belgium....	5.3	5	3.1	5	3.3	3.6	3.8	3.9	3.2	2.9	3.3	4	3.8	3.4
Germany....	9.8	.9	.4	3.4	6.7	7.2	6.9	7.1	7	6.6	9.9	9.6	8.3	6.3

("Review of the Trade of India" 1919-1931).

So far as the export trade of India was concerned the Distribution of that trade more or less approximated to the pre-war position. Great Britain maintained her share of the trade except for abnormal years. This was partly due to a conscious desire to maintain the trade and prevent it from dwindling in view of her much greater share of the import trade of India. The tables showing the distribution of India's Export and Import trade exemplify very well the fact that in the matter of trade like repels like and unlike attracts unlike.

The industrialised states together account for 65 to 70% of India's exports just as they account for a like percentage of her imports.

CHAPTER IX.

A BRIEF SURVEY OF THE CHIEF ITEMS OF THE EXPORT AND IMPORT TRADE IN MERCHANDISE, 1919-1931.

In the survey of the items of the Export and Import trade during the Pre-war period, 1900-1914, "a standard of value" of one crore of rupees was set up as entitling an export or import commodity to notice as an individual item of trade. If that is adhered to for the Post-war period, 1919-1931, then the chief items of the Export and Import trade are the following:-

MERCHANDISE EXPORTS.	MERCHANDISE IMPORTS.
1. Cotton Raw.	1. Cotton Manufactures.
2. Cotton Manufactures.	2. Sugar.
3. Raw Jute.	3. Iron & steel.
4. Jute Manufactures.	4. Brass.
5. Seeds.	5. Copper.
6. Raw Hides & Skins.	6. Oils.
7. Tanned Hides & Skins.	7. Machinery & Millwork.
8. Tea.	8. Silk Manufactures.
9. Grain, pulse & flour.	9. Hardware.
10. Lac.	10. Motor cars & cycles, etc.
11. Dyeing & Tanning substances.	11. Liquors.
12. Opium.	12. Provisions & Oil man stores.
13. Oilcake.	13. Paper & pasteboard.
14. Paraffin wax.	14. Spices.
15. Coffee.	15. Instruments, apparatus, & appliances.

16. Manures.	16. Salt.
17. Fodder, bran & Pollards.	17. Tobacco.
18. Wool Raw.	18. Fruits and vegetables.
	19. Dyes.
	20. Drugs and medicines.
	21. Woollen Manufactures.
	22. Rubber Raw & Manufactured.
	23. Chemicals.
	24. Apparel.
	25. Paints & Painting Materials.
	26. Building & engineering materials.
	27. Soap.
	28. Glass & Glassware.

It will be seen from a survey of the items of the Merchandise import and export trade, that in character it is the same as the Pre-war trade. That need cause no surprise. Economic developments move slowly and take time to show themselves out. Industrial development in a comparatively accentuated form there undoubtedly was in India from the war period. What, however, prevented it from showing itself in the export trade, or in the import trade by stanching the stream of imports of certain kinds, is the size of the country and the big market for goods that it represents. The home market normally would be the chief objective of the industrial producer in India. At the start, the industrial producer would perhaps be able to cater for to it only partially and consequently no spectacular change/

change would be made in the export or in the import trade. One condition laid down by the fiscal commission about the grant of protection to any industry in India was that it had a large home market. Again, the fact, that, during the Post-war period such protection as was given to Indian industries was intended to equalise prices and not to shut out imports, points to the fact that Indian industrial production, while certainly developing, was not expected to supply all the needs of the home market. The fact of India having a large home market and Japan not having one, is one element, among other things, of the differentia which worked for Japan making a spectacular entry into the export trade in certain goods while India did not.

While then there was no change in the character of the Indian import and export trade in merchandise between the pre-war, 1900-1914, and post-war, 1919-1931, periods, there are certain differences which may be noted. It will be seen that, compared with the pre-war period, there are in the post-war more items both in the import and export trade. Part of the explanation of this, perhaps the chief one, is the rise in prices during the war and post-war periods. On the other hand the standard of one crore of rupees has been continued even during the post-war period as the qualification entitling an item of trade to recognition in this study. The result has been that 33 commodities in the export trade and 42 in the import trade touched the one crore value. On the other hand all of them/

all of them were not able to maintain themselves at the value of one crore in the trade. The fall in prices during the post-war period weeded out some, and thus commodities that, even with the fall in prices, were able to maintain themselves at a value of one crore number 17 in the export trade and 28 in the import trade and this more or less approximates to the trade position as it was in 1913-14.

THE CHIEF ITEMS OF THE EXPORT TRADE IN MERCHANDISE, 1919-31.

I Raw Cotton.

In the consideration of the main items of the Export trade in merchandise the start may be made with Raw Cotton. The following table gives the figures of the value in crores of rupees of Raw Cotton Exports and the % of these values in the total Export trade in Merchandise. That should help to an understanding of the importance of Raw Cotton in the Indian Export trade in merchandise. In the production of the World's supply of this commodity India approximately accounted for 20%. The U.S.A. by its supply of about 60% dominated the Cotton market.

	Value of Cotton Exports in crores of Rupees.	% of these Values to the total Exports of Merchandise.
1913-14	41 crores	17%
1919-20	59	19
1920-21	41.62	17
1921-22	53.96	23
1922-23	71	27
1923-24	98	28
1924-25	91	24
1925-26	95	25
1926-27	58.60	19.62
1927-28	47.72	15.09
1928-29	66.25	20.2
1929-30	65.08	21.1
1930-31	46.33	21.19

Pre-war average 33.27

Post-war average 1918-19 to 1930-31) 64.73

(source:- "Review of the Trade of India" for the period).

A glance at the table shows that Raw Cotton has been a source of strength to the Export trade in merchandise in as much as the value of the average annual post-war exports of it has been almost double that of the pre-war average. This striking increase of value has been, it will be seen, contributed to by higher prices and larger exports. Cotton prices throughout the post-war period were higher than those of the pre-war year, 1913-14, and generally export quantities have also been larger. The following table gives the figures of (1) the season's average spot prices of Indian cotton No. 1 Fine Oomrah - pence per lb. (2) the quantities in Bales of cotton exports.

	Season's average spot prices in Liverpool of Indian Cotton No. 1 Fine Oomrah. in pence per lb.	Exports of Raw Cotton in Bales of 400 lbs.
1913-14	5.88	2,975,000
1919-20	19.23	2,398,600
1920-21	9.20	2,074,000
1921-22	9.60	2,989,000
1922-23	11.14	3,362,000
1923-24	13.35	3,764,000
1924-25	11.95	3,326,000
1925-26	8.97	4,173,000
1926-27	7.18	3,188,000
1927-28	9.21	2,686,000
1928-29	8.03	3,712,000
1929-30	6.39	4,070,000
1930-31	4.02	3,926,000
	(source:- page 235, "The Marketing of Cotton" J.A. Todd).	(source:- "Review of the Trade of India" 1919-1931).

The factors determining the export trade of India in Raw Cotton have been dealt with already in considering the Indian cotton exports of the Pre-war period. It was stated there that the Indian export trade in Raw Cotton is a product of the relation of the positions of Indian cotton supply to Indian demand and world supply to world demand. Generally it may be said that, other things remaining the same, the lower the percentage that the price of Indian cotton bore to middling American the greater would be the tendency to substitute Indian cotton/

cotton for American and vice-versa.

How this principle worked itself out during the period may be seen from particular instances. The "Review of the Trade of India" for 1929-30 has the following on page 76 - "the home demand for the cotton crop of 1928-9 was very moderate owing to the severe slump in the cotton mill industry. This depressed the price of Indian cotton and the parity throughout the year was turning more and more in favour of Indian cotton as against American cotton. This naturally led to an increase in the exports of Raw cotton in the year under review as compared with the preceding two years. Exports in 1929-30 amounted to 4,070,000 Bales as compared with 3,712,000 Bales in 1928-29 and 2,686,000 Bales in 1927-28, an increase of 358,000 Bales over 1928-29 and of 1,384,000 Bales over 1927-28". As an example of a position very different, the export trade of 1924-25 may be considered. The Indian cotton crop of that year was bigger than that of the previous year by little more than 400,000 Bales. The "Review of the Trade of India" for 1924-25 says "Indian prices fell in sympathy with American, as usual, but the Bombay market neither followed the American market in its rapid fluctuations nor did Indian cotton fall proportionately so much as American. This lessening of the margin between American and Indian cotton combined with the heavy fall in the former led to a much reduced demand from the Continent for Indian cotton". p. 21.

The following table helps to make concrete the position in the cases cited.

INDIAN - AMERICAN PRICE RATIOS.

Monthly Average Prices of Indian Oomrah Cotton in % of American Middling Cotton at Liverpool.

	1924-25.	1929-30.
April......	75.5	74.8
May........	74.3	74.3
June.......	76.2	75.1
July.......	75.3	75.3
August.....	77.3	74.7
September..	82.3	75.1
October....	88.8	74.7
November...	94.6	73.9
December...	95.1	74.5
January....	91.2	72.7
February...	89.2	69.6
March......	88.3	67.5

(source:- "Cotton goes to Market" A.L. Garside, p. 398).

The following table gives the figures of the Indian cotton crop and the quantity of cotton exports and the price at Liverpool in pence per pound of American and Indian cotton:-

	Indian cotton crop.	Exports in Bales.	Season's Average Price in pence per lb. of cotton in Liverpool.	
			Indian.	American.
1919-20	5,845,000	2,398,600	19.23	25.31
1920-21	3,600,000	2,074,000	9.20	11.89
1921-22	4,485,000	2,989,000	9.60	11.37
1922-23	5,073,000	3,362,000	11.14	14.92
1923-24	5,161,000	3,764,000	13.35	17.66
1924-25	6,072,000	3,326,000	11.95	13.76
1925.26	6,250,000	4,173,000	8.97	10.77
1926-27	5,024,000	3,188,000	7.18	8.15
1927-28	5,963,000	2,686,000	9.21	11.17
1928-29	5,782,000	3,712,000	8.03	10.52
1929-30	5,260,000	4,070,000	6,39	9.09
1930-31	4,822,000	3,926,000	4.02	5.71

(source:- "Review of the Trade of India").

(source:- J.A. Todd, "The Marketing of Cotton" p. 235).

This table points to certain features that may be taken stock of. One of these is the relation of Raw Cotton Exports to production. While generally exports vary directly with production, there are enough exceptions in the table to make definite that the quantity of the production is not the sole factor determining export. Hence it also shows that even when production and export very directly they do not do so to the same degree. The cotton market is a unified and a very sensitive market largely as the result of (1) the wide demand for cotton/

for cotton, (2) the ease with which - meaning the low cost at which - it can be transported across long distances, (3) the fact of the growth of spindleage, not specialised to working solely in any particular variety of cotton. That being so generally prices of American and Indian cotton move in the same direction if not to the same degree. The table of prices set down makes that abundantly clear. The table reveals one year, 1921-22, when while the season's average price of Middling American fell that of Indian rose. The explanation of this lies in the fact that the year was a slump year so far as the United Kingdom and the U.S.A. were concerned. It was not as much of a slump year in Japan and China, the main consumers of Indian cotton. It was also a year of short cotton crops. The "Review of the Trade of India" for 1921-22 says "Japan is always the principal consumer of Indian cotton and in the year under review 1,760,000 bales went to that destination compared with 939,000 in 1920-21". Again "1921-22 was a bad season for the Chinese cotton crop owing to adverse climatic condition..........consequently China increased her purchases of Indian cotton from 192,000 bales in 1920-21 to 435,000 bales in 1921-22". (p. 15).

Speaking generally of the cotton position in the post-war period, it may be said that the period 1919 to 1923 was one of shortage of supply. The following index numbers of world cotton supply bear this out:-

1914	- 100)	
1919-20	- 80)	
1920-21	- 76)	source:- "Economist", p. 390,
1921-22	- 60)	September 15, 1923.
1922-23	- 69)	

If the demand during this period had been normal the price of cotton should have risen, but general slump conditions led to a fall of cotton prices. The decline in exports of Indian cotton in 1920-21 was the combined result of a short crop and the crisis in Japan. The recovery from the slump began from 1922-23. Indian cotton export values for the period 1922-23 and 1925-26 are a significant index to it. The annual export values for the years were 71 crores, 98 crores, 91 crores and 95 crores. Right up to 1924 the U.S.A. had a run of short crops but after that date she began turning out large crops and the relative world production and consumption position in cotton was as follows:-

	World production.	World consumption.	Average price of Middle American.
	Million bales of 500 lbs.	Million bales of 500 lbs.	New York cents.
1924	20.3	20.4	31.1
1925	25.6	23.3	24.8
1926	28.7	24.7	20.6
1927	29.2	26.1	15.2
1928	24.8	25.5	20.4
1929	27.2	25.8	19.7
1930	27.1	25.2	16.6
1931	26.2	22.4	10.4

(source:- "Economist" p. 771, October 29, 1932).

The average annual rate of increase in cotton production for the period 1923-28 is given as being 0.8% and the rate of increase in production of 1929 over 1928 as 8.2%. (p. 2, "Review of the Trade of India" 1930-31). Hence with the depression setting in in 1929 cotton prices fell heavily. Between September, 1929, and March, 1931, the price of cotton in India fell by 36%. (p. 7, "Review of the Trade of India" 1930-31).

Indian cotton exports went, during the period, mainly to Japan and to a lesser extent to almost every country of Europe. The Japanese demand was a steady and consistent one throughout the period except for a decline in 1920-21 and in 1927-28 on account of an internal crisis.

II The Export Trade in Cotton Manufactures.

The figures of the values of exports of cotton manufactures and the wholesale price index number of cotton manufactures in India during the period are given below to show the strength of the trade in this commodity:-

	Total Value of Cotton Manufactured Exports.		Index Number of Cotton Manufactures prices wholesale in India.
Pre-war average	11.4 crores		
War average	11.72	1914 (end of July).	100
1919-20	27.4	1919	295
1920-21	18.27	1920	325
1921-22	15.65	1921	280
1922-23	13.06	1922	239
1923-24	10.95	1923	221
1924-25	11.27	1924	229
1925-26	9.65	1925	210
1926-27	10.75	1926	173
1927-28	8.67	1927	159
1928-29	7.80	1928	159
1929-30	7.19	1929	160
1930-31	5.22	1930	125

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

The table makes it clear that right through the period the export trade in cotton manufactures steadily declined. Part of this decline was due to the steady fall of prices during the period. How much of the decline was due to a diminishing of the volume of the exports ramains to be seen.

To take up just the export trade in cotton yarn. The following table gives the figures of (a) the total production of cotton yarn by Indian mills, (b) the quantity exported, and (c) the value of these exports:-

	Indian Mill production of cotton yarn in Million lbs.	Exports of cotton yarn in Million lbs.	Value of exports of cotton yarn, crores of Rupees.
1913-14	683	198	pre-war average 9.13
1919-20	636	152	18.25
1920-21	660	83	10.17
1921-22	692	81	7.71
1922-23	706	57	5.47
1923-24	617½	38½	3.66
1924-25	719	36½	3.70
1925-26	687	32	2.93
1926-27	807	41½	3.08
1927-28	809	23¾	1.88
1928-29	648	24⅓	1.96
1929-30	834	24.6	1.90
1930-31	867	23.5	1.58

The export trade in cotton yarn has, during the period, steadily declined from 200 Million lbs. in 1913-14 to 23.5 Million lbs., that is one-eighth of that of the last pre-war year. This decline was due to the steady decline of exports to China, and the following table gives the figures in Millions of lbs. of yarn exports to China and Hong Kong.

Pre-war average	170	Million lbs.
1919-20	126	
1920-21	63	
1921-22	62	
1922-23	41	
1923-24	20¾	

1924-25	$14\frac{1}{2}$ Million lbs.
1925-26	$9\frac{2}{3}$
1926-27	16.8
1927-28	.8
1928-29	1.8
1929-30	.8
1930-31	.9

(source:- "Review of the Trade of India" Table exports of twists and yarn, 1919-20 to 1930-31).

This steady decline of China's takings of Indian yarn was the result of the advance during the period of yarn spinning in China and the fact of China increasingly supplying her own needs in the matter of the low counts of yarn that she used to import from India. Imports of Indian yarn into China were all of the low counts, between 1 & 20.

The following figures of imports of yarn into China and China's production of yarn explain the decline of the Indian cotton yarn export trade to China.

	Imports of yarn into China.	China's production of yarn.
1913	360 Million lbs.	225 Million lbs.
1924	77	590
1929	31	1000

(source:- G.E. Hubbard, "Eastern industrialisation and its effects on the West" p. 190).

The spinning of yarn being the first step in the process of development of industries and China having advantages of very much/

very much the same kind as India for this particular industry it is not surprising that India lost the whole of her yarn export trade with China. A material consideration contributing to this development is set down in the two tables given below. Table one gives the Index Number, during the period, of the price of silver, and table two gives the declared value per lb. of Indian yarn exports.

	1. Index Number of the price of silver.		2. Declared Value of Indian yarn exports per lb. R's	annas	pies
Average 1919	85.3	Pre-war average	0	7	11
" 1920	76.1	1919-20	1	3	3
" 1921	48.1	1920-21	1	3	9
" 1922	51.6	1921-22	0	15	3
" 1923	49.4	1922-23	0	15	5
" 1924	50.7	1923-24	0	15	3
" 1925	52.5	1924-25	1	0	3
" 1926	47.1	1925-26	0	14	9
" 1927	42.8	1926-27	0	11	11
" 1928	44	1927-28	0	12	2
" 1929	40.2	1928-29	0	12	10
" 1930	29.0	1929-30	0	12	5
" 1931	20.4	1930-31	0	10	9

(1) The base of these Index Numbers is 1 gold = $15\frac{1}{2}$ silver = 100.
(source:- p. 328 "Journal of the Royal Statistical Society" Part II, 1934).

(2) (source:- "Review of the Trade of India" 1919-20 to 1930-31).

The decline in the purchasing power of silver and the fact that during the whole of the period the price of Indian yarn was well above the pre-war average may be considered as largely contributing to the decline of yarn exports to China. The influence of the price of silver on China's power to purchase imports is clearly seen from the fact that during 1919-20 imports of yarn into China from India rose from 48 Million lbs. in 1918-19 to 126 Million lbs. "The large increase in the exports of yarn from 73 Million lbs. in 1918-19 to 160 Million lbs. in 1919-20 was due in the main to increased exports to China owing to a rise in the price of silver". (p. 10, "Tariff Board inquiry into the Indian Cotton Mill industry" 1926.) After that the steady fall in the price of silver weakened China's power to buy and made it difficult for Indian yarn to compete with Chinese yarn in the Chinese market.

Of the exports of cotton yarn of India the bulk was yarn of low counts. There was also a decline in India's small export trade in yarns of the higher counts during the period. The only redeeming feature in her yarn export trade was that in the post-war period she developed a small trade in grey two-folds double which rose in quantity to 15 Million lbs. in 1921-22 and declined to 7 Million lbs. in 1930-31. The decline in exports of the higher counts reduced them, towards the end of the period, to a few thousand pounds.

India's other customers in the yarn export trade were Persia, Egypt, and Siam, but their taking all told was a very small/

very small quantity.

Although India's yarn exports declined very much during the period, the production of yarn by Indian mills, far from declining, increased. As it was a disturbed period internally and there were plenty of labour troubles, the production rose with interruptions from 683 lbs. in 1913-14 to 867 Million lbs. in 1930-31. This makes it clear that the loss of the export trade did not seriously injure the industry. It can be argued that the fact that she had a large home market for a variety of goods made her let go her export market without the feeling of any serious apprehension.

The following table gives the figures of India's Export trade in cotton piece goods.

	Exports of cotton piece goods in Million yards.	Value of piece goods Exports in crores of Rupees.
1913-14	89	2.13
1919-20	196	8.6
1920-21	146.4	7.3
1921-22	161.0	7.4
1922-23	157.0	6.9
1923-24	165.3	6.63
1924-25	181.5	6.86
1925-26	164.8	6.15
1926-27	197.4	7.32
1927-28	168.6	6.18
1928-29	149.2	5.37
1929-30	133	4.67
1930-31	97.7	3.32

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

This trade falls into the two divisions of exports, grey goods - unbleached - and coloured, printed and dyed goods. The quantities of these exports are given in the following table:-

EXPORTS OF INDIAN GREY AND COLOURED, PRINTED AND DYED GOODS, in Million yards.

	Grey Goods.	Coloured, Printed or Dyed.
Pre-war average	47.4	42.3
War average	74.5	80.3
1919-20	74.89	119.59
1920-21	48.4	96.1
1921-22	24.2	135.7
1922-23	31.1	124.7
1923-24	33.8	129.9
1924-25	44.1	136.1
1925-26	37.3	126.5
1926-27	19.9	175.9
1927-28	17.98	149.28
1928-29	16.3	131.45
1929-30	15.04	117.18
1930-31	9.8	87.5

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

It is clear that the export trade in piece goods unlike that in cotton yarn, has, throughout the period, kept well above the export values of 1913-14 and this even in the depression year, 1930-31. The contribution of Grey goods and coloured/

coloured goods to this condition has, however, been very different. While there has been, during the period, a steady decline in the quantity of exports of Grey goods, coloured goods consolidated the advance made during the war period and left it behind in the post-war period so that, even in the depression year, 193o-31, exports of coloured goods were double the quantity of the pre-war average of exports. Mill production of Grey and Bleached goods in India during the period rose from 872 Million yards in 1913-14 to 2003 Million yards in 193o-31, while the production of coloured goods rose from 291 to 557.6 Million yards. In the light of these figures of production one should have expected grey goods to make a bigger impression on the export trade than the other. An explanation has to be found for this unexpected development of the Indian export trade in piece goods. That explanation seems to be found in the price of exported grey goods. The following table gives the declared values per yard of exported and imported grey goods.

DECLARED VALUE OF IMPORTED AND EXPORTED GREY GOODS IN INDIA.

Prices per yard in annas and pies.

	Grey (imported).			Grey (exported).		
	R's	annas	pies	R's	annas	pies
1913-14	0	2	8	0	2	7
1919-20	0	6	9	0	6	4
1920-21	0	7	4	0	7	4
1921-22	0	5	8	0	6	6
1922-23	0	5	3	0	5	4
1923-24	0	5	3	0	5	3

	Grey (imported).			Grey (exported).		
	R's	annas	pies.	R's	annas	pies.
1924-25	0	5	5	0	4	10
1925-26	0	4	11	0	4	5
1926-27	0	4	2	0	4	10
1927-28	0	3	11	0	4	9
1928-29	0	3	10	0	4	10
1929-30	0	3	7	0	4	8
1930-31	0	3	0	0	4	4

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

If this table is studied along with the table of the figures of exports of grey goods from India, the influence of price on the export trade in this commodity is seen to be very telling. As a combined result of boom conditions and a price lower than imported like goods the export trade was able to improve slightly on the position achieved by it during the war. In 1920-21 prices were about the same, and the recession of exports may be attributed to the depression. The decline from the depression figure in the next two years was due to Indian grey goods being higher in price than imports which, just as they came to India, might be expected to have poured into India's export markets. During 1924-25 and 1925-26 the Indian price was lower than the import price and the export trade shows an unmistakable revival. Thereafter export prices being well above import prices Indian export trade in grey goods steadily declined, till swallowed up in the depression/

the depression, exports stood at the low figure of 9.8 Million yards. This decline is an index to the progress of the Japanese weaving industry and of the rationalization movement in it which helped Japan to capture India's export markets in this commodity.

The influence of the price element seems also clear in the Indian export trade in coloured goods. Below are the figures of declared values per yard of exports and imports of coloured goods.

DECLARED VALUE PER YARD OF IMPORTED AND EXPORTED COLOURED GOODS.

in annas and pies.

	Imported.			Exported.		
1913-14	0	3	5	0	5	0
1919-20	0	9	10	0	7	7
1920-21	0	11	4	0	8	7
1921-22	0	8	9	0	7	7
1922-23	0	8	3	0	7	6
1923-24	0	8	2	0	6	8
1924-25	0	7	10	0	6	5
1925-26	0	6	11	0	6	5
1926-27	0	6	2	0	6	1
1927-28	0	5	7	0	6	0
1928-29	0	5	6	0	5	11
1929-30	0	5	6	0	5	9
1930-31	0	4	5	0	5	7

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

Roughly down to 1926-7, prices of Indian coloured goods being lower, the export trade every year improved on the average of the war period exports till in 1926-7 it was more than double that figure. Thereafter import prices were lower than export prices and the export trade declined, but even in its decline in the depression year, 1930-31, it was able to maintain a quantity figure above the figure of the quantity of exports average for the war period. This may be taken to mean that the competition that Indian coloured goods exports met in her export markets was much less severe than in the case of Indian exports of grey goods. This seems to have sustained the export trade in the former commodity. The following table gives the figures of Indian exports of both goods to her export markets.

EXPORTS FROM INDIA IN 1,000 YARDS.

	Average for the War period.		1930-31.	
To	Grey	Coloured	Grey	Coloured
Persia.............	9826	21421	143	13271
Iraq...............	9537	12188	131	8757
Straits Settlements	1608	16319	158	10806
Aden & dependencies	21828	3147	1709	1463
Kenya, Zanzibar & Pemba..........	8926	2803	1600	6535
Ceylon.............	533	9618	79	17481
Portugese East Africa	5266	618	2205	4377

(source:- "Review of the Trade of India", Table of Exports of Cotton Piece Goods, 1919-20 to 1930-31).

III Export Trade in Raw and Manufactured Jute.

The importance of exports of Raw and Manufactured Jute in the Indian export trade in merchandise is clear from the following table of the Percentage of these to the total exports of Indian merchandise. The table also gives the values of Raw and Manufactured Jute exports separately to indicate the importance of each in that trade.

Year	Percentage of Raw & Manufactured Jute in the Export trade in Merchandise	Value of Raw Jute Exports in crores of Rupees.	Value of Manufactured Jute in crores of Rupees.
1913-14	24	30.83	28.27
1919-20	24	24.70	50.01
1920-21	29	16.36	53
1921-22	16	14	30
1922-23	21	22.5	40.49
1923-24	18	20	42.28
1924-25	21	29	51.77
1925-26	26	38	58.83
1926-27	26.5	26.78	53.18
1927-28	26.39	30.66	53.56
1928-29	27.64	33.34	56.90
1929-30	25.45	27	52.90
1930-31	20.3	13	31.90

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

It is seen that in the post-war period exports of Manufactures of Jute came to be of greater importance to the export trade/

port trade than exports of Raw Jute. The index of this is seen in the progress of the Jute Manufacturing industry in India during the period.

THE JUTE INDUSTRY.

	1914-15	1918-19	1923-24	1929-30
No. of Mills	70	76	89	98
No. of Spindles	795,528	839,919	1,043,417	1,140,435
No. of Looms	38,379	40,043	49,038	53,900
No. of Persons employed...	238,274	275,500	330,408	343,257

(figures from the Statistical Abstract for British India for the period).

As jute production in India is limited to the provinces of Bengal and Behar mainly and is not capable of a wide distribution the effect of the progress of the Manufacturing industry on the exports of Raw Jute is realised from the following percentages of exports of Raw Jute to the production of Raw Jute.

RAW JUTE.

Percentage of Exports to Production.

Pre-war average	51%
1919-20	38
1920-21	44
1921-22	66
1922-23	47
1923-24	43
1924-25	48
1925-26	46
1926-27	37

(cont.)

1927-28	49
1928-29	51
1929-30	44
1930-31	31

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

In the nature of the conditions of production of Raw Jute a maintenance of the Percentage of exports of Raw Jute was definitely incompatible with the striking increase in the Percentage production and exports of manufactured jute that took place during the period. Hence is seen the indication of a decline of the Percentage of exports of Raw Jute to production.

The following table gives the distribution of the export trade in Raw Jute in Thousands of Bales.

Countries.	Pre-war average.	Post-war average.
United Kingdom......	1,691	952
Other parts of the.. British Empire....	4	5
Total British Empire	1,695	957
U.S.A...............	535	483
France..............	428	357
Italy...............	213	180
Brazil..............	15	79
Japan...............	17	60
Belgium.............	-	174
Spain...............	122	132
Germany.............	920	586
Austria Hungary.....	250	-

	Pre-war average.	Post-war average.
Other countries	86	92
Total..........	4,281	3,102

(source:- "Review of the Trade of India" 1931-32, Table No. 28, p. 217).

In contrast to the trends of the Export trade in Raw Jute, the export trade in Jute Bags and Cloth may now be considered. The following table gives the quantities of Exports separately.

BAGS.

Numbers in Lakhs. 1 lakh = 100,000.

	Pre-war average.	Post-war average.
United Kingdom	305	418
Europe excepting the United Kingdom.....	206	299
South Africa (including Rhodesia)......	119	177
East Africa (including Mauritius).....	99	112
Australia & New Zealand............	628	720
Java...............	130	205
Japan..............	35	186
Far East (excluding Java & Japan.......	393	584
South America.......	431	335
Central America & West Indies.......	130	298
Other countries.....	796	607
Total..............	3,391	4.043

EXPORT TRADE IN CLOTH.

Jute in 100,000 yards.

	Pre-war average.	Post-war average.
United Kingdom....	423	741
Canada............	333	508
Australia.........	209	175
U.S.A.............	6,639	8,938
Argentine republic	1,727	1,813
Other countries...	369	528
Total........	9,700	12,703

(source:- "Review of the Trade of India" p. 219, 1932-33).

It is clear then that, while in the case of exports of Raw Jute the post-war average shows a decline over the pre-war, in the case of Bags and Cloth it shows an increase which is larger in the case of Jute Cloth than of Bags. As in the pre-war period the United Kingdom is the largest importer of Raw Jute, the U.S.A. the largest importer of Jute cloth and Australia and New Zealand together the largest importer of Jute Bags.

The following table gives the figures through the period of quantities of exports of Raw Jute, Jute Bags and Jute Cloth, the Index number prices of Raw and Manufactured Jute to Demonstrate the course of trade in these commodities during the period.

	Raw Jute in Million Bales.	Jute Bags in Millions.	Jute Cloth in Million yards.
1919-20	3.4	343	1275
1920-21	2.3	534	1353
1921-22	3.0	386	1120
1922-23	2.9	344	1254
1923-24	3.8	414	1349
1924-25	3.9	425	1456
1925-26	3.6	425	1461
1926-27	4.5	449	1503
1927-28	4.9	463	1553
1928-29	4.7	498	1568
1929-30	4.5	522	1651
1930-31	3.4	434	1271

From these figures it is fairly clear that the export trade in Raw Jute and Jute Manufactures has steadily advanced. The one serious interruption to the advance occurred in the slump year 1920-21. Thereafter the career of the export trade has been a very steady advance. The high exchange rate of 1919 does not seem to have affected the rate for them, if the rate was high the demand under boom conditions was strong enough to bear the high rate. The exchange rate, it has been seen, rose from 1922 to 1924 but the export trade in this case does not show any shrinkage of exports. Of course, the trade in a monopoly commodity of India like Jute cannot be expected to be very sensitive to variations of exchange. During the 1922/

1922 to 1924 period exports far from descending showed a steady advance. The export trade enters on a note of strength from 1923-24. Thus the trade seems more influenced by generally stable economic conditions than by variations of exchange.

The following are the declared values of Raw Jute (per ton), Jute Bags (per bag), and Jute Cloth (per yard) during the period.

	Raw Jute			Bags			Cloth		
Year	R's	annas	pies	R's	annas	pies	R's	annas	pies
1913-14	401	2	5	0	5	5	0	2	4
1919-20	417	5	8	0	8	8	0	3	11
1920-21	346	5	0	0	7	2	0	3	4
1921-22	300	6	4	0	5	9	0	2	3
1922-23	389	12	7	0	7	5	0	3	1
1923-24	303	0	11	0	7	1	0	2	9
1924-25	418	0	1	0	8	9	0	3	1
1925-26	586	0	0	0	10	1	0	3	6
1926-27	378	5	11	0	8	8	0	3	0
1927-28	343	12	7	0	8	0	0	3	2
1928-29	360	4	8	0	8	0	0	3	2
1929-30	336	12	5	0	6	9	0	2	11
1930-31	207	14	8	0	5	5	0	2	1

From this table it is clear that although the prices of Manufactured and Raw Jute move, and have perforce to move, in the same direction the prices of Manufactured goods have, right through the period, kept well above the pre-war price of 1913-14/

of 1913-14 and have, generally speaking, had a firmer tone. That is an illustration of the post-war tendency of the price of manufactured commodities to be more rigid than that of Raw Material. In the case of Jute Manufactures in India this was the result of co-operative action taken in the case of the manufactures. Such action did not exist in the case of the production of the Raw Material. The Jute Mill-owners' Association, for example, agreed in 1921, in view of the large increase of looms and spindles, to work short time, that is for 54 hours a week. This agreement lasted till 1929. ~~While~~ The high price of jute led to an increase in the area under jute in 1930-31 from 3,415,000 acres to 3,531,000 acres which increased the yield by a million bales more than in 1929 and thus contributed to depress the price of jute. During the depression, the manufacturing side of the jute industry decided for a 40 hours working week and sealed up 15% of the looms. The result of it was seen in the fact that, while the prices of Raw Jute fell by 50% between September, 1929, and March, 1931, that of Jute Manufactures fell by only 34%

IV Export trade in Food Grains.

The place and importance of India's export trade in Food Grains in her export trade in Merchandise during the post-war period can be realised from the following table giving the total value of these exports of Food Grains in crores of Rupees, and the percentage that their value had to the total export trade in Merchandise. The wholesale price index of cereals in Calcutta during the period is also set down.

Year	Value in crores of Exports of Food Grains	Volume in Tons Millions.	% of these to total Exports of Merchandise		Annual Average Index Number of Cereal Wholesale Prices, Calcutta
Pre-war average	46	4.4	21	July 1914	100
1919-20	15	.877	5	1919	163
1920-21	25.64	1.487	11	1920	154
1921-22	30	1.653	5	1921	145
1922-23	42.48	2.6	13	1922	137
1923-24	51	3.4	15	1923	114
1924-25	65	4.26	16	1924	123
1925-26	48	3.06	13.1	1925	136
1926-27	39.24	2.43	13.1	1926	140
1927-28	42.92	2.78	13.1	1927	139
1928-29	33.69	2.3	10	1928	133
1929-30	34.79	2.5	11	1929	125
1930-31	29.88	2.6	14	1930	-

(source:- "Review of the Trade of India" 1919-1931).

Surveying this table it seems fairly obvious that the export trade in Food Grains of India during the post-war period declined in importance from the point of view of value and percentage of the total export trade in merchandise. While the pre-war average percentage of Food Grains in the values of the export trade was 21%, in every year of the post-war period the percentage was very much below it, falling to as low as 5% in 1919-20 and 1921-22, the highest percentage touched being only 16% in 1924-25. The fact that during the period the index number of wholesale cereal prices has comparatively speaking shown a firm tone except towards the end of the period and that, during the whole period, the index number was well above the July, 1914, figure of 100 makes two conclusions obvious; (1) the decline in the volume, that is quantities, of the export of Food Grains has been fairly large, (2) the index numbers make out the strength of the internal demand. The conclusion seems inescapable that the growth in population and the rise in the general standard of life on the one hand and the increase in the world production of all cereals, but particularly in rice and wheat and in wheat more than rice, were tending during the period to reduce the margin between internal and external prices so as to lead to the retention for home consumption of increasingly larger quantities of the production. When the figures of the Indian production of the chief food grains come to be considered it will be realised that there was no curtailment in the production of these/

these during the period generally.

The survey of the tables of figures given makes it out that the export trade value of food grains during the period falls into two rough divisions, the earlier when export values rose from year to year till the peak value of 65 crores was touched in 1924-25 and thereafter when export values fell off and declined till they were swallowed up in the debacle of the depression.

It is proposed in this short study to consider among food grain exports only those of Rice and Wheat. These together make up the bulk of the value of the export trade in this commodity.

In the opening year of the post-war period the export trade in food grains had shrunk to a third of its pre-war average value. This was due to the monsoon failure of 1918 and the control that, in view of scarcity, was exercised by Government over its export, and to high freight rates. From after that time exports began to recover once control was removed in 1921 and reached the peak value of 65 crores in 1924-25. Followed a decline. There was a heavy fall in 1925-26 in which year, as compared with the previous one, while Rice exports increased in quantity and value, all other food grain exports fell heavily, Wheat by 81%, Barley by 90%, and Pulse by 52%. ("Review of the Trade of India" 1925-26). This decline was followed in the next year by an all-round decline, including Rice, so that the total value of exports under/

under this head fell by 18%. There was some recovery in 1927-28. This was, however, only temporary and for the rest of the period trade declined in value through the fall in prices though the volume rose slightly, till in the closing year of the period it stood at two-thirds the value of the pre-war average value of food grain exports. Between September, 1929 and March, 1931, the price of Rice fell by 35%, and of Wheat by 47%.

A Export Trade in Rice.

The export trade in Rice may now be briefly considered. In the export trade of India in food grains Rice and Wheat occupy very different and unequal positions of importance. This can be realised from the following figures of export values of Rice and Wheat during the period.

	Rice in crores of Rupees	Wheat in crores of Rupees
Pre-war average	25.66	13.96
1919-20	10	.2
1920-21	18	4.10
1921-22	25	1.47
1922-23	34	3.44
1923-24	35	9.11
1924-25	37	17.19
1925-26	39.97	3.6
1926-27	33.20	2.7
1927-28	34.01	4.4

1928-29	26.47	1.69
1929-30	31.51	0.21
1930-31	25.97	1.95

("Review of the Trade of India" 1919-20 to 1930-31).

The difference as between the relative world demand and supply of wheat and rice during the period is seen in the following index numbers of wholesale prices of Rice and Wheat = Statist Index Numbers quoted from the "Journal of the Royal Statistical Society", part II, 1932, p. 314 : 1867-77 = 100. United Kingdom.

	Rice (Rangoon).	Wheat (America)
1913	82	65
1914	91	72
1919	258	134
1920	418	165
1921	184	132
1922	148	95
1923	148	84
1924	167	96
1925	160	111
1926	163	105
1927	159	104
1928	150	91
1929	143	91
1930	130	66
1931	93	45

put

In this table the figures of out-turn, exports and percentage of export to production of Rice in India are set down.

Year	Production of Cleaned Rice in Million tons	Exports in Million tons	% of Exports to Production
1913-14	28.8	2.4	8
1919-20	32	.618	2
1920-21	28	1.06	4
1921-22	33.23	1.366	4
1922-23	33.7	2.088	6
1923-24	28.198	2.177	8
1924-25	31.100	2.273	7
1925-26	30.4	2.545	8
1926-27	29.479	2.035	7
1927-28	28.09	2.187	8
1928-29	32.145	1.817	6
1929-30	31.132	2.298	7
1930-31	31.614	2.254	7

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

From this table it is fairly clear that while the production of Rice in India increased in the post-war period exports slightly declined, reaching and exceeding the pre-war year 1913-14 export quantity only in one year 1925-6. The decline in the Indian export of Rice occurring in conjunction with increased production in the country points to certain conclusions. These are - (1) increased consumption in the country, (2) the fact of an increase of the production of rice/

of rice in the rest of the rice-producing world. If it was not for this the rise in price which would surely have resulted, as rice is a necessary staple of life for large masses of human beings, would have created that margin between home and external prices to call forth the necessary exports. The fact that, right through the period with the exception of one year, Indian rice exports were generally below the 1913-14 mark makes it obvious that outside India there was an increase in the production of Rice. What makes this a certainty, is the fact of the growth of population in rice-eating areas in a degree to which it did not happen in all wheat-consuming areas.

In the pre-war period, according to the Imperial Institute's Economic Inquiry on Rice, 94% of the exports of Rice in 1913 was from India, Siam and Indo-china. In the post-war period there was a large increase in the production of rice in Spain, Italy, the U.S.A., the Philippines, South America and Siam. According to the International Year Book of Agricultural Statistics, world production of rice during the period, 1909-13, amounted to 774.5 Million quintals. In the post-war period the figures of world production were as follows:-

Annual Average.	Million Quintals.
1909-13	774.5
1923-24	798.7
1924-25	856.6
1925-26	853.6
1926-27	845
1927-28	856
1928-29	884
1929-30	866
average for 1926-7 to 1930-31	866.6

Thus with an increase in supply there was also an increase in demand which maintained the price of Rice. It is here that Rice and Wheat part company. In studying the fortunes of wheat it will be seen that while there was an increase in the production of wheat, that increase had not an equal increase in demand from wheat-consuming areas; hence the greater fall in the price of wheat during the depression at the end of the period. In the case of rice the increase in production, of which the figures have been given, was faced by an increase in consumption among other things caused by the growth of population among rice-consuming Asiatic peoples. Hence the difference in the trend of the index of wholesale prices of rice and wheat that has been referred to already.

An effect of the increasingly wider distribution of the production of rice in the post-war period was, what may be referred to as the rationalisation of the rice trade and its effects/

effects in the Indian trade in Rice. The understanding of this will be helped by a survey of the following table of the pre-war and post-war average takings of the different countries of Indian rice.

It would help in this case to take the averages before the depression set in.

INDIAN EXPORTS OF RICE IN 1,000 TONS.

To	Pre-war average.	Post-war average.
The United Kingdom.	159	96
Germany..........	345	207
Netherlands........	240	31
Egypt...........	54	36
Japan............	123	52
Java.............	168	75
Sumatra...........	10	33
China.............	13	68
Asiatic Turkey.....	61	1
Arabia............	25	47
Ceylon............	325	311
Hong Kong.........	13	50
Straits Settlements	308	170
Mauritius.........	56	50
Total.............	2,398	1,462

(source:- "Review of the Trade of India" 1930-31, p. 219).

In understanding this table certain factors have to be borne in mind to guard against being misled. This table gives the post-war average from the end of the war to 1928-29. Thus the low export figures of the early post-war years when trade had not got into its stride and there was Government control of the export of food grains, have pulled down the average of Indian food grain exports to a very low figure. The actual figures of exports for each year have been set down earlier and these will serve to supplement the view given by the average. (Page 37 Chapter IX

The features of the difference between India's pre-war and post-war export trade in rice as revealed by the table are the following - the decline in the takings of Indian rice by the United Kingdom, Germany and the Netherlands, means, that in this period, these countries had nearer supplies of rice which it would be more economical for them to take. For example, Germany took larger imports of American rice. The decline in the case of Egypt also points to a nearer supply. India's trade with Asiatic countries in rice has in the post-war period regulated itself on certain principles. Indian exports have got reduced to countries growing their rice from their own area or from their colonies, as in the case of Japan. The increased production in Siam and Indo-china has led to the decline of Indian exports to the former countries' natural markets near by. Ceylon, specialising in tea and rubber, is a big market for rice and she is naturally India's market. It is on these/

on these lines that the changes in the distribution of Indian exports of rice have to be expected. In the pre-war year, 1913-14, out of an export of 2.4 million tons, Asiatic countries took .88 million tons. In 1929-30 out of a total export of rice of 2.3 million tons Asiatic countries took 1.2 million tons, and in 1930-31 out of 2.25 million tons they took 1.4.

To conclude, in the post-war period there was a slight increase in the production of rice in India and a slight decrease in the quantity exported. Prosperity and growing population in the country were reflected in an internal demand that kept rice prices in India well above the pre-war 1913-14 level. The increase of the world production of rice led to Europe importing less Indian rice and getting supplies nearer home. Similarly the increase of production in Siam and Japan and the growth of rice in other places weakened Indian exports to them. Compensating these weaknesses was the increase in demand of places like Ceylon, Sumatra, China, Arabia, and Hong Kong.

The following are the Declared Value of Rice Exports per cwt.

	R's	annas	pies
1913-14	5	7	4
1919-20	8	0	5
1920-21	8	4	5
1921-22	8	15	9
1922-23			
1923-24	7	15	3
1924-25	8	2	2
1925-26	7	12	1
1926-27	8	1	7
1927-28	7	13	1
1928-29	7	5	9
1929-30	6	12	4
1930-31	5	11	8

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

B Wheat.

It has been seen in the study of the export trade of India in food grains that in the post-war period there was a decline both in the value and the volume of the trade. In the case of rice it has been seen that, while the pre-war percentage of exports to production was 9%, the average annual percentage for the post-war period was 5. It now remains to see the course and condition of the post-war period export trade of India in wheat, the second of the two items considered here of the Indian export trade in food grains. In doing this it is well to bear in mind the difference in the position of the country as between rice and wheat. In 1930-31 the area under rice was 81 million acres and under wheat 25 million acres. ("Progress and Condition of India" 1930-31, p. 168). In rice then India is out and away the biggest producer, consumer, and exporter. In wheat her production in the pre-war period was estimated at between 9 and 10% of the world's supply. With these facts in mind a consideration of the Indian export trade in wheat may be taken up now.

The following are the figures of Indian exports of wheat during the period, their quantities in 1,000 tons, their value in crores of Rupees, and the percentage of exports of wheat to production:-

Year	Exports.	Value.	% of Exports to Production.
1913-14	1,200	13.13	
Pre-war average	1,300	13.96	14
1919-20	9	0.2	0.08
1920-21	238	4.1	3
1921-22	81	1.47	1
1922-23	220	3.44	2
1923-24	638	9.11	7
1924-25	1,112	17.19	13
1925-26	212	3.60	3
1926-27	176	2.71	2
1927-28	300	4.4	4
1928-29	115	1.69	2
1929-30	13	0.21	1
1930-31	197	1.94	2

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

It will be seen from this table of figures (1) that in quantity of wheat exports there has been a serious decline in the post-war period. It is only in one post-war year, 1924-25, that wheat exports came near those of the pre-war average. In all the other years they were very much behind that figure. (2) In value, wheat exports were in very much the same position except for the fact that in 1924-25, although the volume of exports did not quite equal that of the pre-war average, the value/

value exceeded it, rising to as much as 17.2 crores against a pre-war average of 14 crores. The values of wheat exports make a better showing than the volume because the average annual declared value of wheat exports during all the years of the post-war period, except 1930-31, was well above that of 1913-14 which was Rupees 5-5-5 per cwt. (3) While the pre-war average of exports of wheat to Indian production was 14%, the post-war average was 3%.

The factors that brought about this development may now be considered. The Indian export trade in wheat in the last analysis depends on the margin between its price in Karachi and in London. There must be a difference to pay the internal transit from up country to the port, and then oversea to its export market, and still leave a profit to the exporter. The bigger this margin the greater will be the quantity of exports called forth. Now the forces that determined the internal and the external prices of wheat during the period seem to have worked in opposite directions with the result that the margin got narrowed and the export trade was greatly reduced.

To consider first the factors influencing the world wheat market in the post-war period. Throughout the post-war period prices of wheat have been generally declining from year to year. "The average price per quarter (480 lbs.) for the war period, 1915-19, was 73/6d. The average for 1920-24 fell to 64/6d. In 1925 there was a further fall to 61/9d.

and by 1930/

and by 193o the price had fallen to 34/3d., thus showing a decline of 27/6d. in five years". ("Review of the Trade of India" 1930-31, pp. 92 & 93). This clearly points to a position of a supply greater than demand resulting from increased production or decreased consumption or both. The increased production of wheat in the post-war period was a result of the extension of the area under wheat during the war period in the U.S.A., Canada, Argentina, and Australia under the stimulus of high prices to make up for the deficit in wheat supply created by Russia going out of the Market in 1915. The increased production that resulted, more than made up for the loss of the Russian supply. After 1924 when Europe, excepting Russia, began producing normal wheat crops supplies of wheat began to increase considerably. In 1930-31 Russian supplies began to arrive and this on an already overstocked market caused the big fall in wheat prices. Speaking generally "the post-war period has been marked perhaps by even more revolutionary changes in the technique of crop production than any that occurred in the past century". ("The World's Wheat Situation" R.R. Enfield, "Economic Journal" p. 554, 1931). According to the "Review of the Trade of India" the supply of wheat in 1930 had increased by 74 million quarters, or 20%. as compared with the annual production of the quinquennium 1910-14. The increased production resulted in the piling up of stocks from year to year and these have acted as an incubus on the Market. To make things worse, the Rye supplies of Europe/

Europe in the closing years of the period increased considerably and the increasing competition from this cereal tended to depress the price of wheat. The heavy import duties and the quota system introduced by many European countries have raised the price of wheat in these countries and reduced its consumption. All these factors contributed to bring about the long-term depression in the wheat trade. It must also be said that the growth of population in wheat-consuming areas has not been anything like what it has been in rice-consuming areas; hence the difference between the fall in the price of rice and wheat during the depression. For example, between September, 1929, and March, 1931, the wholesale price of rice fell by 35% and of wheat by 47%. (Index numbers of Wholesale Prices of Staple Articles of Export and Import - Calcutta).

To come now to conditions in India. The decline in the exports of wheat was in no way an expression of decreased production. It was rather due to increased consumption - an expression of a rising standard of life. The following table gives (1) the figures of production, (2) Net Imports +, Net Exports -, during the year, (3) Balance available for consumption during the year:-

Year	Production of Previous Crop Year. Tons.	Net Imports + Net Exports - during the year. Tons.	Balance available for consumption during the year. Tons.
Pre-war average 1909 - 1913-14	9,424,000	-1,381,000	8,043,000
War average 1914-15 to 1918-19	9,455,000	- 877,000	8,578,000
1919-20	7,507,000	+ 64,000	7,571,000
1920-21	10,122,000	- 324,000	9,798,000
1921-22	6,706,000	+ 269,000	6,975,000
1922-23	9,830,000	- 269,000	9,561,000
1923-24	9,974,000	- 707,000	9,267,000
1924-25	9,660,000	-1,219,000	8,441,000
1925-26	8,866,000	- 272,000	8,594,000
1926-27	8,696,000	- 220,000	8,476,000
1927-28	8,973,000	- 317,000	8,656,000
1928-29	7,791,000	+ 370,000	8,161,000
1929-30	8,591,000	+ 268,000	8,859,000
1930-31	10,469,000	- 32,000	10,437,000

(source:- "Review of the Trade of India" 1930-31, p. 95).

In the case of wheat the exports of a year belong to the crops of the previous statistical year. Now the increase in the consumption of wheat in the country seems fairly clear from the figures given above.

The export trade in wheat then in India in any year, depends on the crops/

on the crops of the previous year - and the margin between the internal and the external price. To take examples - the exports of the year 1924-25 amounted to 1.112 million tons valued at 17.19 crores and was the biggest during the post-war period. The crop from which these esports were drawn was estimated at 9.6 million tons - a very good crop for India. Equally important is the fact that India had had for the two years prior to that year equally good crops amounting to 9.8 and 9.7 million tons which meant that there were no depleted stores of grain to fill up. As the "Review of the Trade of India" for the year has it - "As a result of these excellent wheat harvests the granaries of Northern India were full and there was ample surplus for export". The next question is price. In this connection the "Review of the Trade of India" has the following:- "The local consumption of wheat is appreciably greater than before the war and it will take exceptionally large supplies and very tempting prices before the pre-war average export of 1,308,000 tons is reached again.........Reports on the North Anerican crops in July and the early part of August were bad, Australian supplies were exhausted and prices rose sharply........India had already shipped considerable quantities to the United Kingdom in June and July.........The firmness in September-October and the subsequent further rise in December-January brought India strongly into the wheat market and she made considerable shipments in the five months, October - February."

PRICES OF WHEAT IN SHILLINGS PER 480 lbs.

c.i.f. Liverpool & London.

		No. 1 Manitoba.	Karachi Choice White.
		s-d	s-d
1924	April... 4	45-0	44-0
	June.... 6	45-1	46-0
	July.... 4	51-0	49-0
	August.. 1	60-6	55-0
	August.. 29	56-0	53-3
	October. 10	68-6	63-6
	October. 31	61-10	61-0
1925	January. 30	78-0	70-4
	February 27	76-6	69-6
	March... 27	65-0	61-3

(p. 27, "Review of the Trade of India" 1924-25).

In contrast to 1924-25 the year of big exports of wheat, 1929-30 saw exports of wheat reduced to 13,000 tons valued at 21 crores. That poor export was due to (1) the poor crop of 1928-29 which was one of only 7.8 million tons and the three crops before that were not very good ones, (2) prices of wheat in the world were on a much lower level in 1929-30 as compared with the preceding year.

PRICES OF WHEAT IN SHILLINGS PER 480 lbs.

c.i.f. Liverpool & London.

		No. 3 Manitoba.	Karachi Choice White.
		s-d	
1929	April... 5	45-6	No quotation.
	May..... 3	44-0	"
	June.... 7	42-0	"
	July.... 5	50-0	"
	August.. 2	60-6	53 (Nominal).
	September 6	53-6	50 (").
	October. 4	50-3	43 (").
	November 1	49-0	No quotation.
	December 6	50-9	"
1930	January. 3	51-4½	"
	February 7	44-3	44 (Nominal).
	February 28	42-1½	43 (").
	March... 28	39-4½	No quotation.

(p. 95, "Review of the Trade of India" 1929-30).

A good index to the poor margin between the price of wheat in India and the external price is the poor exports in all but one year and the fact that in 1919-20, 1921-22, 1928-29, and 1929-30, there were net imports of wheat shows that prices of wheat in these years in India were above the normal world parity.

When in 1930-31 a 10½ million ton crop of wheat was harvested/

harvested the price of wheat fell very badly and the prices of Manitoba wheat in Liverpool and London during the year fell steadily from 42/- at the beginning of the year to 23/- at the close, and in Karachi from 33 Rupees per candy of 656 lbs. in April to 19 Rupees in March. ("Review of the Trade of India" 1930-31). Although it was a year of good crops the fall in price stimulated the consumption with the result that, while India exported only 197,000 tons, she imported 232,000 tons, and the fact that Australian wheat could be placed in the seaport towns at lower prices than those which had to be paid for Indian wheat brought long distances by rail from the up-country producing areas, made the Government of India reduce Railway freights for wheat and pass the wheat (import duty) act which levied an import duty of 40 Rupees per ton on foreign wheat.

V The Export Trade in Oilseeds.

The importance from the point of view of value, quantity, and share of Oilseeds exports in the export trade in Merchandise of India can be seen from the following table of figures:-

Year.	Quantity in Million tons.	Value in crores of Rupees.	% of the Export Trade.
Pre-war average	1,453	24.36	11
1919-20	.825	26.27	8
1920-21	.624	16.83	7

1921-22	.735	17.40	8
1922-23	1.177	27.35	9
1923-24	1.255	29.82	9
1924-25	1.328	33.17	8
1925-26	1.250	29.64	8
1926-27	.838	19.09	6
1927-28	1.210	26.69	8
1928-29	1.328	29.63	9
1929-30	1.195	26.46	8
1930-31	1.037	17.86	8

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

In the post-war period, 1919-20 to 1930-31, the export trade in oilseeds did not, even in one year, come up to the pre-war average quantity of export of 1.4 million tons. And this in spite of the fact that the area under the cultivation of oilseeds rose during the period from 12.675 million acres in 1913-14, ("Material and Moral Progress and Condition of India" p. 45) to 17.886 million acres in 1928-29, and 16.457 million acres in 1930-31. ("Statistical Abstract of British India", 1921-31. In the depression year, 1920-21, exports of oilseeds fell to as low as .6 million tons, and the highest exported quantity in the period was in 1924-25 and 1928-29 when it amounted to 1.328 million tons. In value, however, oilseeds exports have shown very well, rising to as high as 33.17 crores in 1924-25 when exports totalled only 1.3 million tons against 24.36 crores for 1.4 million tons, the pre-war average. In 1920-21, with an export quantity of .624/

of .624 million tons which was less than half the pre-war average quantity, the value was 16.83 crores which is more than two-thirds of the pre-war average value of 24.36 crores. That was because prices during this post-war period were higher throughout and maintained the value of the exports. The following are the index numbers of Wholesale Prices of Oilseeds, (Calcutta).

End of July	1914	100
Annual Average	1919	198
"	1920	173
"	1921	135
"	1922	147
"	1923	138
"	1924	144
"	1925	146
"	1926	134
"	1927	143
"	1928	142
"	1929	155
March	1930	142
December	1930	99
March	1931	90

During the depression period from September, 1929, to March, 1931, the index number of oilseed prices fell by 49% and was second only in the steepness of its fall to Raw Jute which fell by 50%. Thus except in the last year of the period/

period under review, Calcutta wholesale prices of oilseeds as a whole were appreciably above the prices of July, 1914, and helped to sustain the value of the oilseed export trade. The area under cultivation of oilseeds increased during the period under review and also the total production of oilseeds. It has been seen that total exports of oilseeds have not increased, rather they have declined. There was, therefore, a greater internal consumption of oilseeds in the country. It will help to see if that has resulted in an export of oilseed manufactures resulting from the increased consumption. The pre-war average exports of vegetable oils amounted to 4 million gallons valued at .6 crores of Rupees. The war average of these exports rose to 6.8 million gallons at 1.3 crores of Rupees. During the post-war period exports of vegetable oils declined from 7 million gallons in 1919-20 steadily down to 1.6 million gallons in 1928-29 and 1.1 million gallons in 1930-31. Exports of oilcakes, however, rose from a pre-war average of 140,000 tons valued at 1.06 crores of Rupees to 328,000 tons valued at 3.84 crores of Rupees in 1928-29, and closed at 254,000 tons valued at 2.08 crores of Rupees in 1930-31. The failure of any serious ~~oil~~ oil-seed manufacture exports to emerge from the increase in the home consumption of oilseeds cannot be a surprise, in view of the existence of older and strongly protected oil crushing industries in almost all the important countries of Europe and in America. In 1922, for example, the Fordney tariff imposed a heavy duty of

a ton/

a ton on Linseed oil (Commercial History and Review of 1922, Economist). Again the large Indian market militates against any spectacular emergence of an export trade in oilseeds manufactures exports. If India had either the monopoly or a very strong position in any of the important oilseeds perhaps the increased consumption in the country might have, by creating a shortage of raw material, led to a shortage of such oil supplies and made for the emergence of an export trade. But India was in no such position and the increased retention for home consumption did not create any such situation, for the period was one in which competitive supplies emerged on all sides. For example in Linseed the Argentine increased her exports from one million tons at the beginning of the period to two million tons in the course of the period. Indian Ground-Nuts had the competition of Ground-Nuts from Senegal, and Indian Sesamum from the Sesamum of China. In addition ~~the~~ Palm Kernel and Soya Bean entered the field as raw material from which edible oil could be expressed. In the course of the period the oil crushing industry in all the leading countries of Europe was able to get going after the hold-up of the war, and the increasing need of oil for food purposes, and for industry in all its phases, kept up, during the period, a brisk demand for the commodities. The first feature, then, to take note of, in the oilseeds export trade of India, during the post-war period, is the failure of the exports to come up to the volume of the pre-war export trade in them, in spite of an increase in the production of oilseeds.

Indian oilseeds exports are made up of exports of Linseed, Ground Nuts, Rape seed, Sesamum, Castor, Copra and Cotton seed. It would be interesting to see which among the more important of these contributed strength to the export trade and which did not. According to the chart appended to page 126 of the "Report of the Moral and Material Progress and Condition of India" (1929-30) the production of Linseed in India during the period under review has not shown any serious advance at all. Starting at about 400,000 tons in 1919-20, it fell sharply in the bad Monsoon and depression year, 1920-21, and increased to about 500,000 tons in 1922-23 and again during 1924-25 and thereafter set into a steady decline touching the 322,000 tons point in 1928-29, the last normal year before the depression set in. According to the "Statistical Abstract for British India", 1921-22 to 1930-31, the area under Linseed was just 2 million acres in 1921-22 and rose to 2.6 million acres in 1923-24 and thereafter declined steadily till in 1930-31 it fell to 1.9 million acres. The explanation of this decline in the production of Linseed in India during the period lies in the fact that it is produced mainly for export. According to the "Review of the Trade of India" the percentage of the pre-war average of export to production of Linseed was 73%. The decline in production then has to be referred to the decline of export due to the Linseed market being dominated by the Argentine crop. ~~In~~ The Argentine and India during the period contributed the major part of the exports in Linseed and of the two/

and of the two the Argentine was easily the major contributor. During the period under review the production and exports of the Argentine steadily increased. "The Commercial History and Review of the year 1919" of the "Economist" mentions that in that year the Argentine had a crop of Linseed of over a million tons and refers to it as "a record crop". The same review for 1924 mentions the Argentine shipments of Linseed as amounting to 1,450,000 tons. In 1926 the crop of that country was 2 million tons and in 1927 the Argentine exported 2 Million tons. Thus the Argentine production of Linseed was rapidly expanding during the period and came to be about five times that of India. Being nearer to the U.S.A. and Europe and cheaper in price, in addition to its larger size, it dominated the market. The variations in the Indian export trade in Linseed depended on the condition of the Argentine and U.S.A. crops. The U.S.A., having a large oilseed crushing industry and a large demand for Linseed oil for the manufacture of Linoleum and Oilcloth, had a large demand for Linseed, and its takings of the Argentine crop depended on the success of its own Linseed crop. If that was a success a larger proportion of the Argentine crop was released for the United Kingdom in particular, and Europe in general, and that would reduce the takings of the United Kingdom of Indian Linseed. The revival of the oilseed crushing industry in Europe after the war increased the demand for Linseed and thus the increased Argentine production was absorbed. "The Review of the Trade/

of the Trade of India" for 1925-26, on page 33 says - "Germany and other countries are growing more of this seed" This obviously would tell on the Indian Linseed trade. "The Economist Commercial History and Review" for 1923 refers to the shortage of the Linseed and Cotton seed crops in the U.S.A. and as a result "more Indian than plate seed was imported into the United Kingdom". "The Review of the Trade of India" gives 80% as the percentage of exports to production of Linseed in the year 1923-24. The exports from India of Linseed for that year were drawn from the crop of the previous year, 1922-23, which, according to the "Review of the Trade of India", amounted to 533,000 tons.

To conclude then, among Indian oilseeds Linseed is produced mainly for export. The period under review was one when there was an increase in the production of Linseed in the world. According to the International Year Books of Agricultural Statistics the figures of the growth of the production of Linseed in the post-war period was as follows:-

Average for 1909-1913	28.2	Million	Quintals.
1923	31.8	"	"
1924	33.3	"	"
1925	40.8	"	"
1926	36	"	"
1927	39.2	"	"
1928	38.9	"	"
1929	31.2	"	"

The export trade in it was dominated by the Argentine which produced it mainly for export and was nearer the consuming markets. Besides, being a cheaper variety than Indian Linseed it was cheaper in price. Indian Linseed was a better variety and had to bear a heavier freight charge to get to the consuming markets. Needless to say, that, produced mainly for export under such conditions, the trade evinced these characteristics - (a) it was depressed and the competition of more profitable oilseeds led to land devoted to Linseed being devoted to other crops like Ground Nuts; (b) the export trade in Linseed as a result of this situation was, during the period, subject to wide fluctuations. For example, exports from India in 1923-24, a year of shortage of the Linseed crop in the U.S.A., were as high as 371,000 tons, the highest export figures for the period, and went down to 157,000 tons in 1928-29; 1928 being a year when the Argentine exported, according to the "Commercial History and Review of the Economist", 2 million tons. In that year plate seed ruled at an average price of £15-17-6 per ton and "Indian Linseed was offered at prohibition prices".

The following table gives the percentage of export to production of Linseed and the value of the exports taken from the "Review of the Trade of India" 1919-20 to 1930-31.

	% of Export to Production.		Value in crores of Rupees.
Pre-war average	73	1913-14	6.68
1919-20	58	1919-20	10.46
1920-21	45	1920-21	6.14
1921-22	40	1921-22	4.30
1922-23	63	1922-23	7.35
1923-24	80	1923-24	9.62
1924-25	69	1924-25	9.74
1925-26	77	1925-26	8.08
1926-27	47	1926-27	4.02
1927-28	63	1927-28	4.52
1928-29	49	1928-29	3.30
1929-30	66	1929-30	5.72
1930-31	68	1930-31	5.41

Cotton seed is a by-product. It has been seen that the area under cotton during the period under review rose from 24.59 million acres for British India in 1913-14 to 27 million acres in 1928-29. ("Material and Moral Progress and Condition of India" p. 49, 1913-14 and p. 93, 1933-34).

The course of the Indian export trade in cotton seed was as follows:-

	Exports quantity in tons.	Value in crores of Rupees.
Pre-war average	240,000	1.79
1919-20	248,700	3.65
1920-21	100,000	1.03

1921-22	92,000	1.02
1922-23	183,000	1.97
1923-24	150,000	1.71
1924-25	161,000	1.91
1925-26	197,000	2.18
1926-27	50,500	.45
1927-28	153,000	1.44
1928-29	131,000	1.32
1929-30	58,000	.54
1930-31	41,000	.22

From these figures it seems clear that the prices of cotton seed have been fairly stable. The trade in cotton seed has been one of a steady decline, the pre-war average quantity of export having never been touched. The explanation of this lies in the fact that during the period under review there was a large extension of the area under cotton production in the world. The demand for cotton seed is mainly from Europe, the U.S.A. having her own supplies to cater to her needs. Freight being a factor, supplies nearer to Europe than those of India would be preferred, and the Egyptian supply would come in for a natural preference. Besides, it has to be borne in mind that in oil content cotton seed is inferior to seeds like ground nut, sesame, mowra, castor and copra. The competition of these and their substitution for it would work to reduce the demand for it. As against these there is the fact of the large use of cotton seed/

seed in India as cattle-feed, and there was a development in the cotton seed crushing industry which kept up its price internally. All these account for the decline in the export trade in cotton seed. In the export trade, the position of cotton seed was that of a reserve or substitute supply. Hence the variation in the export trade. The export trade depended on the size of the Egyptian supply and of the supply of other seeds for which it can be substituted. If the Egyptian supply was short its price would rise and the lower price parity of Indian cotton seed should the Indian supply be large would lead to its preference in place of Egyptian seed. In 1926-27 the price of Indian cotton seed "remained almost permanently above the parity of Egyptian seed" and consequently exports got reduced to 50,000 tons. ("Review of the Trade of India" 1926-27, p. 86). In 1927-28 it was the other way round, "an increase in the yield of the Indian cotton crop of 1927-28 and a shortage of the Egyptian crop led to an expansion in the exports of cotton seed from India. The average price of Egyptian cotton seed in London was higher than in the preceding year and this resulted in a greater appreciation of of the Indian product". (p. 86, 1927-28, "Review of the Trade of India"). In the case of cotton seed then, as in the case of Linseed, there was a decline in the Export trade.

According to the chart of production appended to page 126 of the "Progress and Condition of India during 1930-31" the production of Rape and Mustard seeds was about one million tons/

tons in 1919-20 and rose to 1.2 million tons in 1924-25 and then declined to 900,000 tons in 1928-29. The percentage of export to production during the pre-war period averaged 23%. After the period of recovery, with not very much change in the quantity produced, the percentage of export to production rose to 30 in 1923-24 and receded in the next year to 23 and got thereafter into a steady decline and stood at 8% in 1927-28 and fell to 4% in 1930-31. Here then is another oilseed the export trade of which declined during the period under review. According to the Imperial Institute's Indian Trade Enquiry into Oilseeds Report India holds a dominant position in the world's supply of this oilseed, her supply amounting to 65% in 1913-14. The bulk of the Indian production, even in pre-war years, was locally consumed and the inelasticity of local consumption is evidenced by the decline in production as a reaction from the decline of the export trade. The decline in the export trade has been attributed to the fact that being used in the making of Margarine the higher fat content of ground nuts over Rapeseed led to the former being substituted for the latter. (p. 33 "Review of the Trade of India" 1925-26). According to the Imperial Institute Report, while ground nut belongs to a group with an oil content ranging from 45% to 70%, Rape seed has only 15% to 40%. The decline in exports began from 1925-26, in which year the value of exports fell to 2.68 crores, from 6.03 crores in the previous year and 7.35 crores in 1923-24.

The Indian production of Sesamum was almost unchanged during the period 1919-20 to 1930-31 and amounted to half a million tons annually. (p. 99 "Review of the Trade of India" 1929-30). The percentage of export to production was 28 in 1913-14 and the pre-war average was 25. In 1919-20 the percentage was 10 and it declined to 2% in 1929-30 and to 2% in 1930-31. As Sesamum oil is more widely consumed in India than Rape or Mustard the decline of the export trade has not reacted on production to cause a decline in the quantity produced. The elasticity of internal consumption has, in a sense, contributed to the decline of the export trade for, on a price basis, foreign importers have preferred palm kernels, ground nuts and Chinese Sesamum to Indian Sesamum. Here again is yet another oilseed which lost ground heavily in the export trade during the period.

The export trade in Castor seed during the period is different from those recounted above. The pre-war average of exports was 114,000 tons valued at 1.66 crores. The pre-war average value of Castor seed exports was regained after the upset of the war, in 1922-23. The pre-war average quantity of exports was attained in 1925-26 and rose to 122,000 in 1927-28. The export trade quantity has just been maintained and the value more than maintained. The difference in the fortunes of the export trade in this oilseed is worth ~~close~~ consideration. Castor seed does not provide an edible oil. If it did, it would have been subject to the competition of other/

other oilseeds. It is mainly used industrially as it is valued as a lubricant and to a certain extent medicinally. Besides, according to the Imperial Institute Trade Enquiry, India in 1913-14 was supposed to have almost a monopoly of it, exporting 135,000 tons of the world's exports of 137,000 tons. It is definite that in the post-war period that advantage has been narrowed by outside growths, as, for example, in Manchuria. The Indian demand for this seed not being capable of expansion in any sense as in the case of edible oils the export trade, in spite of outside growths, has been able just to maintain itself. The area under the cultivation of Castor seed was .54 million acres in 1921-22, rose to .57 in 1925-26 and declined to .45 in the depression year, 1930-31.

Very different from all that has been seen till now in this study is the trade and production history of ground nuts in the post-war period, 1919-20 to 1930-31. According to the "Statistical Abstract for British India" 1921-22 to 1930-31, the area under ground nuts rose from 2.06 million acres in 1921-22 steadily upward to 5.31 million acres in 1930-31, and the yield rose from 800,000 tons in 1919-20 to almost 3 million tons in 1930-31.

The following table gives the percentage of exports to production and the values of the exports of ground nuts.

	% of Exports to Production.	Export Quantities in tons.	Value of Exports in crores of Rupees.
Pre-war average	35	212,000	3.52
1913-14	37	277,800	4.88
1919-20	13	111,700	4.23
1920-21	13	104,000	2.85
1921-22	25	236,000	6.26
1922-23	28	267,000	7.56
1923-24	24	257,000	7.18
1924-25	27	376,000	10.67
1925-26	24	455,000	12.02
1926-27	16	368,000	9.58
1927-28	24	613,000	15.63
1928-29	26	788,000	19.36
1929-30	29	714,000	16.38
1930-31	20	601,000	9.66

The striking difference in the run of the export trade in ground nuts must be attributed to the seed itself as it is one in a class by itself among the group of oilseeds exported from India. Directly edible in a way other seeds are not, and belonging as it does to the oilseed group with the higher content of oil, the demand for it was far more elastic than the others and its advance has been at the expense of the other oilseeds. Both production and the exports have increased but production has increased more than exports so that/

so that the percentage of export to productions has declined. This is to be attributed to the rising standard of life in the country, which has contributed to increasing consumption of ground nut. Outside India the substitution of ground nuts for other edible fat-producing seeds has increased the consumption of the seed. A glance at the export figures of Indian-ground nut reveals that the trade took a spurt from 1927-28. In 1926-27 the trade had a set-back on account of the coal strike in England and the high freights. In 1927-28 the trade leapt up ~~with a jump~~ and that was maintained even during the last year of the period which was a period of depression. The increase of the trade in 1927-28 has been attributed to the larger crop, to the large demand following resumption of trade, to greater freight facilities and to the release of speculative holdings of the produce of 1926-27 by exporters. (p. 84 "Review of the Trade of India" 1927-28).

A change, however, has come in the shares of the importing countries. France, till 1926-27 the largest customer of Indian ground nuts, gave place to Germany as the largest consumer of the commodity. The increase of Indian ground nuts exports is to be attributed to the larger takings of Germany, the United Kingdom, Italy and the Netherlands.

The bulk of India's exports of oilseeds go to the main countries of Europe, and, in order of importance to the export trade, these are France, Germany, the United Kingdom, Italy, and the Netherlands.

The survey of the Indian export trade in oilseeds may be brought to an end with a statement of India's export trade in vegetable oils. The following is a table of the quantities of such oil exports and their values.

VEGETABLE OIL EXPORTS.

	Quantity in Million Gallons.	Value in crores of Rupees.
Pre-war average	4.02	.65
1919-20	7.3	2.2
1920-21	3.2	1.02
1921-22	1.7	.46
1922-23	2.1	.53
1923-24	1.4	.51
1924-25	1.3	.45
1925-26	1.7	.45
1926-27	1.3	.30
1927-28	1.2	.29
1928-29	1.6	.37
1929-30	1.3	.31
1930-31	1.9	.23

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

The decline in the export trade from the comparatively small trade of the pre-war years to even smaller trade is a product of the increasing oil consumption in the country on the one hand, and the existence of protected oil seed crushing industries in the countries which generally import Indian oil seeds.

VI The Export Trade in Tea.

In considering the Indian export trade in Tea it would be well to bear in mind that the Indian tea industry is almost wholly financed by British capital and that the United Kingdom is the largest consumer of tea "the average consumption per head of population in 1927 reaching the highest figure yet attained, 9.02 lbs, almost double the figure for 1880 and nearly eight times that for 1840, the year when statistics for tea first began to be kept" (p, 795, "Economist" November 3, 1928). Great Britain alone consumes some 52% of the world's tea, the British Empire 70%, the Empire and the United States together 77% to 80%. (p. 362, "Economist" August 24, 1929). Up to 1926 the Indian government levied an export duty on tea of 1.5 Rupees on 100 lbs. of tea exported, approximating to about ½d. per lb. From 1926-7 that duty was removed, the "Review of the Trade of India" says on p. 7, 1926-27, "as measures have been taken to compensate for the loss of revenue arising therefrom by making the whole of the non-agricultural income of the tea companies liable to income tax". It will early be realised that Indian tea is grown mainly, predominantly for export and the United Kingdom imports the bulk of it. Up to 1924 the import duty on tea was 8d. per lb; Empire grown tea being preferred paying $6\frac{1}{3}$d. In 1924 the import duty on tea into the United Kingdom was reduced to 4d., preferred Empire grown teas paying $3\frac{1}{3}$d. per lb. (p. 29, "Review of the Trade of India" 1924-25). With these facts in mind the features/

features of the tea trade of India may now be considered. The following table gives the figures of the value in crores of Rupees of the Indian export trade in tea and the percentage of that value to the total export trade in Merchandise.

Year	Value in crores of Rupees.	% of total Export trade in Merchandise.
Pre-war average	13.06	6
1919-20	20.56	7
1920-21	12.14	5
1921-22	18.22	7
1922-23	22.04	7
1923-24	31.5	9
1924-25	33.3	9
1925-26	27.2	7
1926-27	29.04	9
1927-28	32.48	10
1928-29	26.6	8
1929-30	26.01	8
1930-31	23.56	11

A fuller knowledge of the importance of the tea trade to the country may be derived from the figures of the quantities of Indian production and export of tea.

	Production in Million lbs.	Export in Million lbs.	Index Number of Wholesale Prices of Tea (Calcutta). July 1914 - 100	
1913-14	305	289		
1919-20	377 (1919)	379	1919	105
1920-21	345 (1920)	286	1920	78

1921-22	274 (1921)	314	1921	100
1922-23	311 (1922)	288	1922	159
1923-24	375 (1923)	339	1923	206
1924-25	375 (1924)	340	1924	205
1925-26	364 (1925)	$325\frac{3}{4}$	1925	180
1926-27	393 (1926)	349	1926	180
1927-28	391 (1927)	361	1927	165
1928-29	404 (1928)	360	1928	154
1929-30	433 (1929)	376	1929	140
1930-31	391 (1930)	356	March 1930	121
			March 1931	114

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

The two tables given make out very well the outstanding features of the Indian tea export trade and production. These are that between 1913-14 and 1930-31 the production of tea in India increased approximately by 30%. Tea in India is produced mainly for export and the export trade has, during the period, grown by about the same percentage as production. On the other hand the value of tea exports right up to the depression period, 1928-29, was, compared to the value of exports of 1913-14, almost double. If allowance is made for the 33% increase in quantity of 1928-29, the 54% rise in the tea price as between the end of July, 1914, and 1928 should together be sufficient to explain the rise of the value of tea exports between 1913-14 and 1928-29 by 100%.

The course of the tea trade, 1919-1931, falls into the two divisions of the difficult early post-armistice years and the

period/

period following. The first period is made up of the years 1919 to 1921. With the decontrol of the tea trade exports advanced but the trade was hampered in 1919 by high freight charges and congestion in the docks. While in 1914 before the war the freight charge for tea from Calcutta to London was 27/6d. for 50 cubic feet, in 1919 it was 131/3d. and from Colombo 160/-. In 1920 the vagaries of the Indian exchange were one of the difficulties that the export trade had to encounter. During March to September, 1920, the average London tea prices fell rapidly while exchange moved downwards but remained comparatively high at 1/9$\frac{3}{8}$d. on 30th September. High exchange and falling London prices reduced the Rupee value that the Calcutta shipper got for tea. The point is made clear by a typical case cited by the "Review of the Trade of India" 1920-21, p. 23. "The London value of a consignment at time of shipment was 1/4d. per lb. A bill was prepared at 75% of that value, namely 12d. per lb., and negotiated at 2/6d. the rate of exchange then current. The consignment actually realised 6$\frac{1}{2}$d. per lb. and the deficit (at 5$\frac{1}{2}$d. per lb.) had to be made good by the shipper at 1/7d. exchange".

1920-21 & 1921-22 witnessed a decline in production as a result of the decline in demand partly because of the slump and of the absence of the demand of Russia and decline of the demand of Central Europe. The decline in exports and the decline in production enabled the clearing away of the stocks of/

of unsold tea which in India in 1920-21 were about 40 million lbs. and reduced the stocks in the United Kingdom from 230 in the previous year to 223. 1921-22 was a year of lower and more stable exchange throughout the year; besides, freight rates fell from £3-15-0 in April, 1921, to £2-11-3 in March, 1922. Thus the slump situation was met by (a) curtailment of production activity by the trade, and (b) by the return to normalcy in the matter of exchange and freight rates. In 1920 it was calculated that the world's production was 25% above consumption and immediately the remedy was applied in a reduction of production. In 1922 the freight question was settled favourably for the exporter, the conference steamship lines having agreed to carry tea from Calcutta and Chittagong to London for £2-2-6 per ton. ("Commercial History and Review of 1922" in the "Economist). The moving away from the immediate post-war period saw the increase in the consumption of tea and the period of prosperity for the industry definitely began. 1922 then is definitely the point in the Indian tea trade when recovery merged itself into prosperity. Thereafter with increasing consumption world exports of tea started increasing. The following figures of total tea exports (world) bear this out.

WORLD TEA EXPORTS.

1922 = 699 Million lbs.	1925 = 818 M. lbs.	1928 = 912
1923 = 769 " "	1926 = 851 " "	1929 = 962
1924 = 820 " "	1927 = 901 " "	1930 = 886

The Calcutta wholesale price index number of tea tells the same story. 1922 saw the price index get back to that of July, 1914 (= 100) after the slump of 1921 when it sank to 78. Thereafter there was a 50% rise followed by a 47% rise in 1923-24. The decline that followed reflects the general deflation of prices following the return to the gold standard. The tea industry and trade are well organised and their points of strength are that both of them represent co-operation among producers and a close study of the market in the attempts to find new markets and to increase the consumption of tea in the old ones. The result was that they were able to consolidate their position in the prosperity period so as to make the best of it. The sign of it is the adjustment of production to consumption and the stabilizing of prices more than in any other business. The result was, that when depression set in, the curtailment of production was immediately decided on with the result that, in the depression year of the period under review, tea prices fell by only 12% while jute and oilseeds prices fell by 50%. "Tea of all the great agricultural industries suffered least during the great slump". (p. 40, "Commercial History and Review of 1930", "Economist" February 14, 1931). The ineffectiveness of the move to restrict production led later on, that is in the years of depression after the period under review, to a disastrous fall of prices.

VII The Export Trade in Hides and Skins.

The following table of figures of total values of the Indian export trade in Hides and Skins, its percentage of the total export trade in merchandise, and the index number of wholesale prices in Calcutta of the general group hides and skins serves to introduce the study of the trade and to lead on to further inquiry.

	Value in crores of Rupees.	Index number of wholesale prices of Hides & Skins.	% of the Trade to the total Trade in Merchandise.
Pre-war average	14.6	July 1914 = 100	7
1919-20	36	1919 = 184	3 12
1920-21	8.54	1920 = 147	4 4
1921-22	10	1921 = 108	3 12
1922-23	10.88	1922 = 120	2 4
1923-24	12.94	1923 = 135	2 4
1924-25	14.06	1924 = 124	2 -
1925-26	14.21	1925 = 104	2 -
1926-27	14.55	1926 = 113	2 4.83
1927-28	17.88	1927 = 119	2 5.6
1928-29	18.87	1928 = 134	2 5.72
1929-30	16.03	1929 = 113	3 5.2
1930-31	11.74	Dec. 1930 = 79	2 5.38
		March.1931 = 80	

Looking at the figures of total values, and making allowance for the fact that during the whole of the period except for the depression year, 1930-31, the index number of wholesale prices of Hides and Skins were higher than in July 1914, it is clear that it is only in the years 1927-30 that the export trade in hides and skins just managed to come up to the pre-war average in volume. Even with higher prices the percentage of the export trade in hides and skins to the total export trade in merchandise declined from 7%, the pre-war average, to 2% during most of the period.

The export trade in hides and skins falls into two divisions, the trade in Raw Hides and Skins and that in Tanned Hides and Skins. It has to be seen what was the contribution of each of these divisions to the general trend in the whole trade in Hides and Skins that has been noted already. The figures of the quantities and values of the export trade in Raw Hides and Skins and Tanned Hides and Skins are set out against each other to allow of their consideration.

	Quantity in tons.		Value in crores.	
Year	Raw Hides & Skins.	Tanned Hides & Skins.	Raw Hides & Skins.	Tanned Hides & Skins.
1913-14	81,600	14,900	11.72	4.25
1919-20	91,000	29,000	23.40	12.71
1920-21	31,100	7,000	5.25	3.29
1921-22	48,500	10,000	5.98	4.03
1922-23	45,700	14,600	5.71	5.06
1923-24	48,900	18,100	6.93	5.90
1924-25	47,700	19,400	6.77	7.18

1925-26	50,800	18,500	7.23	6.98
1926-27	50,627	18,400	7.18	7.38
1927-28	64,400	23,300	8.81	9.07¼
1928-29	66,100	23,500	9.56	9.31
1929-30	53,100	21,000	7.98	8.05
1930-31	45,300	17,700	5.47	6.27

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

If a comparison is made between the pre-war year, 1913-14, and 1928-29 the last year before the depression settled on the world, it reveals that the export trade in Raw Hides and Skins was in the latter year 25% less in volume compared to 1913-14. Between the same years the export trade in Tanned Hides and Skins was about 60% greater in the latter year than in 1913-14. Thus the post-war period, 1919-31, has witnessed a reversal of the pre-war period trend in the export trade as between Raw and Tanned Hides and Skins. The value of the export trade in Raw Hides and Skins rose in the pre-war period, 1901-2 to 1913-14, from 5.5 to 11.68 crores and that in Tanned Hides and Skins during the same period from 2.7 to 4.2 crores. On the other hand between 1913-14 and 1928-29 India's export trade in Raw Hides and Skins declined from 11.72 crores in 1913-14 to 9.56 crores in 1928-29, while during the same period the trade in Tanned Hides and Skins rose from 4.25 to 9.31 crores. It would help a little more if the comparison is studied splitting the export trade of the pre-war and post-war period into the trade in Hides and the trade in Skins.

	Raw Hides in tons.	Tanned Hides in tons.	Raw Skins in tons.	Tanned Skins in tons.
1913-14	55,800	8,700	24,300	6,200
1928-29	37,300	16,400	22,900	7,100

It is clear that a trend was in action to reduce the export of both Raw Hides and Skins and to increase exports of Tanned Hides and Skins. One peculiarity in this connection may be noted. In some commodities like cotton goods, increased conversion of Indian Raw products into manufactured goods limits her Import of like manufactures but does not immediately show itself in an increased export trade in those manufactures, the increased manufactures being absorbed in the large home market and being substituted for like imports. The decline in the export of Raw Hides and Skins and the simultaneous increase in the exports of Tanned Hides and Skins is an index to the fact that leather had not at the time a large home market and consequently expressed itself in increased exports. "The Indian Tanning Trade must therefore look to foreign markets for the sale of its products". (p. 362 Indian Industrial Commission Report, Appendix D). To come back to the figures given, exports of Raw Hides declined by one-third and that of Tanned Hides increased by about 90%. Absolutely the decline in the exports of Raw Hides was much greater than the increase in the exports of tanned hides and points to a greater absorption in the country. The same trend in the export trade from raw to tanned is observable in the/

in the Skins trade but to a very much slighter degree than characterised the export trade in hides. The first point of interest in the survey is the development of the Tanning industry in India as evidenced by the shift of emphasis from Raw to Tanned exports. This was a product of the war. In the pre-war period Germany was the chief importer of Raw Hides and the outbreak of war held up India's exports of that commodity. On the other hand the United Kingdom was the chief importer of Tanned Hides and her greater needs for the purposes of the war gave a stimulus to the Indian Tanning industry. The following figures of the exports of Raw and Tanned cow hides, the major item in the export trade in hides, bears out the change referred to.

	1913-14	1916-17	1917-18	1918-19
Exports of Raw Cow Hide in 1,000 cwts.......	743	582	318	284
Exports of Tanned Cow Hides................	158	287	347	500

So far for the effects of the war. The Indian Industrial Commission drew attention in its Report (Appendix D, pp. 354-365),, to the potentialities of the country for the development of a Tanning industry. The question of tariffs being excluded from its terms of reference seems to have chafed the Commission. The psychological reaction to this exclusion is seen in its report in such statements as - "the history of the foreign trade is largely a record of the results of fiscal regulations" (p. 354). Again in page 359, "it is..... not altogether unreasonable to assume that the future of the Indian/

Indian leather trade can be usefully discussed without any reference to tariffs, although these will of necessity play an extremely important part in the transition period during which the export trade is being changed from one mainly in Raw hides to one of Tanned hides or finished leather". There was thus (1) the development of the Indian tanning industry during the war and (2) the recommendation of the industrial commission for the development of the Indian tanning industry. There was yet another factor which awakened interest in the Indian tanning industry. In the pre-war period it has been seen that Germany had built up a large Tanning industry and was the chief importer of Indian Raw hides. In view of this and of the war there was a desire, as evidenced by the Imperial Institute Indian Trade Inquiry Report on Hides and Skins, to prevent Germany's resumption of her pre-war Raw Hide import trade after the war. The direct product of all these factors was the imposition in September, 1919, of an export duty on Raw Hides and Skins of 15% based on tariff valuation with a 10% reduction of the duty to Empire Countries. The Indian Fiscal Commission in its report, paragraph 190, condemned this export duty and on March 1st, 1923, reduced the export duty on Raw Hides and Skins to 5% all round, thus doing away with the element of preference in the duty. The "Review of the Trade of India" for 1922-23 after referring to this follows it up with the statement that "all prices for Raw Hides and Skins firmed up as soon as the export duty was lessened"/

lessened". Before going on to study in detail the trends in the Indian trade in Hides and Skins in the post-war period it would help to note certain facts as to the relation of the Indian supply of Raw Hides and Skins to world supply and demand. In inquiring into this it is well to bear in mind that the 5% duty on the export of Raw Hides and Skins was retained right to the close of the period under review. The decline in the export trade in Raw Hides between 1913-14 and 1928-29 has already been referred to as also the increase in the exports during the same period of Tanned Hide exports. That, of course was the result of the export duty plus the encouragement given, not only by the duty but outside of that, to the Indian tanning industry. All the countries importing Indian hides had Tanning industries of their own so that if they could get Raw hides nearer home they would get them. The total exports of Indian Raw and Tanned hides in 1913-14 amounted to 64,500 tons. In 1928-29 they amounted to 53,700 tons. This decline in the exports of a very useful Raw material points to the fact that in the trade in cow hides India had not a very strong position and was just one of the suppliers and not even the largest among them. The result was, as the "Review of the Trade of India" for 1921-22 observes - "New York seems to be reverting to American domestic and South American hides and to have dropped the influence she possessed in Indian markets. Much the same might be said of Liverpool and London. India is looking more and more/

more to the Continent for orders". Again the "Review of the Trade of India" for 1922-23 notes the "decrease in exports to the United Kingdom due to River Plate hides being available at distinctly lower prices and also to the competition of the Russian hide". This was before the export duty was reduced but it must be borne in mind that the United Kingdom got 10% of it off. Even so for it to look to River Plate hides means that the 5% duty was ruling Indian hides out of her markets especially in a commodity in which there were alternative sources of supply. When the duty was reduced it was the Continental demand of Germany and Italy that revived the Indian Raw Hides trade. All this explains the position of the Indian Hide exports in relation to world supplies and demand. The position gets to be seen in very clear light when attention is turned to the reflection of this position in the declared values of Indian Hides and Skins exports. The figures of the export trade in Raw and Tanned Skins have already been referred to. In 1913-14 the total exports of both amounted to 30,500 tons and in 1928-29 to 30,000 tons. The trade has maintained itself. Between the two years there is observable a slight decrease in the export of Raw skins and a slight increase in the export of Tanned skins. The difference in the trade position of India as between Hides and Skins lies in the fact that in "goat skins she is the chief source of the world's supply" ("Review of the Trade of India" 1922-23). The Indian Fiscal Commission in paragraph/

paragraph 193 recognised this when it went on to say "we received a certain amount of evidence to the effect that Indian goat skins formed a semi-monopoly". The difference in the position of the Indian exports of Hides and Skins in relation to world supply and demand is very clearly seen in the following table of the declared value per cwt. of Raw and Tanned Hides and Skins. (Prices per cwt. in Rupees).

	Raw Hides.	Tanned Hides.	Raw Skins.	Tanned Skins.
Pre-war average	66- 4- 0	85-10-10	68- 0- 6	196-12- 3
1919-20	75- 6- 1	164- 0- 0	219- 8- 2	480- 3- 5
1920-21	54- 4- 2	140- 9- 5	137-14- 5	377-11- 4
1921-22	35-11- 5	115- 7- 7	94- 0- 0	308-11- 4
1922-23	45- 7- 2	116- 4- 9	84- 8- 4	294-10-11
1923-24	51- 3- 4	120- 0- 9	105- 4-11	277- 8- 4
1924-25	56-10- 0	128- 6- 0	108-11- 9	302- 3- 4
1925-26	56- 8- 1	125- 9- 7	100-12- 9	309-15- 7
1926-27	46- 1-11	122- 9- 0	115-13- 9	326- 6- 9
1927-28	47- 5- 3	130-10- 2	125-15- 2	330- 8- 2
1928-29	54- 4- 5	134- 2- 8	118- 4- 2	345- 5- 9
1929-30	53- 8- 4	120- 7-11	117-10- 6	342-12- 8
1930-31	38-14- 8	112- 8- 4	99- 1- 0	296-14- 9

(quoted from the "Review of the Trade of India" 1919-20 to 1930-31).

From these figures the depression in the export trade in Raw hides stands out clearly. Compared with the figures of 1913-14/

of 1913-14 the post-war years reveal a decline in the exports of Indian Raw Hides to every one of its export markets. Part of this loss, but only a small part, is made up by the increase in the exports of Tanned Hides. The main importer of Tanned Hides is the United Kingdom, where on account of the high costs of tanning and the absence of tariffs it was cheaper to import. All the importers of Indian Raw Hides decreased their imports of the commodity, partly because of the growth of home productions as the result of the development of agriculture, and partly as the result of the availability of nearer supplies developed during the war. The increase in the imports of a solitary country like the United Kingdom could not make up for the whole of it. Hence the depression in the export trade in Raw Hides which was reflected in the fall in the declared value of exports. This trend in the price of Raw Hides is quite the reverse of that which prevailed before the war. The Industrial Commissions Appendix D refers on page 354 to the trend of price of Raw Hides when it says that during the period 1846-7 to 1912-3 the average price of Raw Hides rose from Rupees 0-7-5 per hide to Rupees 6-0-0. The strength of India in the world's supply of skins has helped to maintain her exports and their prices.

VIII The Export Trade in Lac.

In this study of the post-war period export trade of India so far the outstanding items of export of major importance, which are Cotton Raw and Manufactured, Jute Raw and Manufactured, Grain, Pulse and Flour, Oilseeds, Tea, and Hides and Skins have been considered. On the average these items together make up during the post-war period, 1919-1931, 80% of India's exports of merchandise. The percentage of these to total exports of merchandise was as low as 73% in 1921-22 and as high as 85% in 1924-25. The rest of 20% of India's exports are made up of a number of small items which it would be a very arduous and not very profitable work to try to study. One item of this group, however, merits consideration and a short survey of this may be made here. This is the Indian export trade in Lac. This item is singled out out for certain reasons. The value of the trade by itself is a reason for its study and the strength of that point is reinforced by the fact that Lac is an Indian monopoly. "Lac is a resinous incrustation produced by the lac insect, Tachardia (Coccus) Lacca, on certain trees which serve the insect as host plants in India, Indo-china and Siam. (p. 2 Imperial Institute Indian Trade Enquiry and Report). Lac products consist of Shellac, Button lac, seed lac, stick lac, and Gum lac. Indo-china and Siam produce a certain amount of stick lac. The chief article of commerce, however, is Shellac and it is in this that India has a monopoly (p. 5, Ibid.).

Lac was listed as a practical, if not absolute, monopoly of India in "the views of the Government of India on the Question of preferential tariffs" submitted in 1904. In the early years of the pre-war period, 1900 to 1913-14, the Government of India classified Shellac and Button lac as under the head of articles mainly or partly manufactured and stick and seed lac under raw materials, but it seems to have had grave misgivings about this classification for on page 30 of the "Review of the Trade of India" for 1901-2 occurs the following - "to lac indeed the term manufacture can perhaps hardly be applied with accuracy for Shell and Button lac are obtained simply by triturition in water to separate the insect which secretes the lac from the resinous secretion the resulting broken resin being then melted and cooled in lumps or sheets". According to the Imperial Institute's Indian Trade Inquiry Report "Lac is one of the most important resins of commerce and owes this position partly to properties such as high resistance to the action of air and moisture, adhesiveness and high electrical resistance which it shares with all resins, but chiefly to the fact that its ready solubility in alcohol and its low melting point render it easy of application". Further "the principal uses of Lac resins are -

(1) As an electrical insulating agent.

(2) As a stiffening material for felt, straw, etc., for hats and for crape.

(3) As a preservative coating for wood and metal in the

form of varnishes and lacquers.

(4) As an adhesive material in special cements, sealing wax, dry mountants, gramophone records, etc.,

Naturally then with the growth of these industries in the U.S.A., Great Britain, Germany and other countries, the Indian Lac trade was greatly stimulated. From this it will be realised that in peace times lac is used in the production of luxury products and the trade thrives in times of activity but a depression in trade tells very heavily on its price. The following figures show the fall in Lac prices during the depression of 1908-9 and 1929-31.

Year.	Average Price per cwt.	Year.	Average Price per cwt.
1907-8	107- 4-10	1929-30	113-15-10
1908-9	68-11- 9	1930-31	62- 6- 5
1909-10	46- 3- 6	1931-32	43-11- 6
		1932-33	31- 3- 9

Even apart from depressions the lac trade is normally exposed to a number of unsettling factors. Like all destructible articles of relatively high specific value it is a subject of speculation. As collecting of the raw material can be done at any time after the insects have secreted it, in the pre-war period the supply came into the market in no regulated way. Being exposed to the influence of the weather, the article is one of a precarious supply. Besides there was always the danger of the rise of Shellac prices leading to the/

to the finding of substitutes. This contingency was more feared in the post-war period. "The Review of the Trade of India" for 1926-7 stated, "the use of synthetic lacquers though growing in importance has not yet appreciably affected the trade in Indian Shellac. The enormous increase in the demand for automobiles and for nitro-cellulose lacquers has helped to maintain the demand for Shellac. As Shellac has advantages over synthetic lacquers the best way to meet the competition appears to be to increase production and lower the prices". (p. 90). Right through the pre-war and post-war periods 80% of India's Lac exports consisted of exports of Shellac, the rest being made up of seed, stick and Button lac.

This table gives the figures of exports of Lac, their quantities, values and price of lac for the periods 1900 to 1913-14 and 1919-20 to 1930-31.

Year	Quantity in cwts.	Value in crores.	Average Value per cwt.
1900-1	227,068	1.06	
1901-2	157,071	.96	
1902-3	239,010	1.85	
1903-4	235,620	2.72	
1904-5	240,131	3.07	
1905-6	267,445	3.18	£ s d
1906-7	269,276	3.49	8-13- 3
1907-8	362,748	4.08	7-10- 0
1908-9	380,816	2.79	4-17-10
1909-10	554,796	2.77	3- 6- 7
1910-11	421,628	2.14	3- 7- 9

1911-12	428,006	2.01	3- 2- 8
1912-13	428,160	2.11	3- 5- 9
1913-14	339,161	1.96	3-17- 3

Year.	Quantity in cwts.	Value in crores.	Average Value per cwt.
			R a p
Pre-war average	434,000	2.20	51- 1- 9
War average	345,000	2.57	
1919-20	376,000	7.26	202- 6- 6
1920-21	309,000	7.50	255- 9- 5
1921-22	435,000	7.92	198-11- 3
1922-23	476,000	10.26	242- 0- 7
1923-24	486,000	9.06	203- 3- 0
1924-25	427,000	7.55	191- 3- 4
1925-26	540,000	6.90	138- 5- 3
1926-27	592,000	5.47	101-12- 3
1927-28	544,000	6.99	140- 9- 9
1928-29	743,000	8.64	128- 6-10
1929-30	669,000	6.96	113-15-10
1930-31	547,000	3.14	62- 6- 5

(source:- "Review of the Trade of India" 1900-1931).

That substitutes for lac have had little influence, even if any did exist, is seen from the increase in the exports of Lac. As the average prices of Lac have been well above the pre-war average the values of the export trade have been big enough for recognition of its importance in the Export trade.

This study of the export trade of India, 1919-1931 might be brought to a close with a short survey of the place of manufactured goods in it. That will be realised from the following table of the values of exports of merchandise as a whole and of manufactured goods in it.

Year.	Exports of Merchandise Value in crores of Rupees.	Exports of Manufactures.	%
Pre-war average	219.5	50.61	23
1919-20	309	103	33.3
1920-21	238	86.9	36.5
1921-22	231.4	60.3	26
1922-23	299	70.4	23
1923-24	348.8	71.9	20.3
1924-25	384.7	84	21.5
1925-26	374.8	89.6	24
1926-27	301	85.3	28
1927-28	319	87.6	27.5
1928-29	330	89.6	27
1929-30	311	84	27
1930-31	220	57	26
Post-war average	286	80	28

These figures have been quoted from the "Review of the Trade of India" and the percentage of Manufactured goods in the export trade in merchandise has been calculated from it.

The figures of the post-war average have also been quoted therefrom and for the sake of information it may be said that in the calculating of that average the figures for the year 1918-19 which do not belong to this study have also been included.

It will be seen that the percentage share of manufactured goods in the export trade of India in merchandise has risen from a pre-war average of 23 to a post-war average of 28. Absolutely the value of manufactured goods in the export trade has throughout the post-war period kept well above the pre-war average of 50.6 crores of Rupees. Part of this was due to the rise in price which in the case of manufactured goods tended to be firmer than in the case of raw material. It has been estimated that, if the industrial production of India in 1920-21 and 1921-22 is taken at 100, the production of India in 1930-31 and 1931-32 would amount to 151. (V. Anstey, "Economica" page 240, August, 1936).

While manufactured goods have increased in the Indian export trade in merchandise from a pre-war average of 23% to a post-war average of 28% and from a pre-war average of absolute value of 50 crores to a post-war average of 80 crores, it has to be seen if there has been any serious change in the trade, the change looked for being in the diversification of manufactured exports and a broadening of the channel of manufactured exports.

That there was no such change seems fairly obvious. The following table makes it clear. It gives the pre-war average/

average and the post-war average values in crores of Rupees of the main manufactured exports of India.

Exports of	Pre-war Average Value in crores of Rupees.	% of Manufactured Exports.	Post-war average Value in crores of Rupees.	% of total Manufactured Exports.
Jute Manufactures	20	40%	43	54%
Cotton Manufactures	11.4	23%	17.07	23%
Tanned Hides & Skins.....	4.3	8%	6.24	8%
Chemicals, drugs and Medicines...	10.5	20%	3.20	4%
Dyes and colours.....	1.17	2.2%	1.53	2%
Iron & steel.	-	-	.77	-
Other Metal Manufactures	.31	.6%	1.36	1.75%

It will be seen that the items of manufactured exports taken into reckoning in this table account together for about 80% of total manufactured exports. Between the pre-war and the post-war periods Jute manufactures have improved their place by 14%, Cotton manufactures and Tanned Hides and Skins have just been able to maintain their percentages by the necessary advance of absolute value of exports. Chemicals, drugs and medicines fell to a fifth of their pre-war percentage and Dyes and Colours have given ground slightly. Iron and steel manufactures without a past in the export trade have made a modest debut with about three-quarters of a crore and account/

account for about 1%, and manufactures of other metals have advanced from an insignificant percentage of about .6 to 1.75.

It is clear that there has been no serious change in the character of the Indian export trade. The width of the channel of India's export trade in manufactured goods has been about the same, the volume of the flow has increased slightly. That need not cause any serious surprise for quite a number of reasons. This post-war period that is being considered here was one of growing industrialism in countries till then predominantly agricultural, of increasing industrial developments in those that had, even before the war, entered on an industrial period, of ~~highlevel~~ a heightened economic nationalism, a severe competition for foreign markets, of rising tariffs against all goods and certainly manufactured goods, of the development of movements for the rationalization of production and of falling prices as a combined result of stabilisation and rationalization. In such a period it should have been difficult, but not perhaps impossible, to show striking advances in the export trade in manufactured goods. India was not in a position, as the result of many features of her internal social, political and economic position, to be able to do the difficult thing. As has been said already in the course of this study, one of the conditions laid down by the Indian Fiscal Commission for the grant of protection to any Indian industry was that it should be able to command a large home market. Naturally then if protection was granted to any industry in India and if such protection did lead/

lead to an increase of industrial production in the particular commodity, that increase was more likely to show itself in supplying the home market and perhaps reducing foreign imports of like goods, rather than in any development of an export trade in it. For all these reasons it need cause no surprise that there was, in the period, no striking change in the export trade of India in manufactured goods.

CHAPTER X.

THE IMPORT TRADE IN MERCHANDISE, 1919-1931.

Index numbers of the total value, volume and prices of imports have been given earlier in this study. This chapter, therefore, is devoted to a consideration of the trends of the import trade in certain commodities individually. The first of these items is the import trade in cotton manufactures.

I The Import Trade in Cotton Manufactures.

The trend of the post-war period import trade in Cotton manufactures can be grasped from the following table of the annual percentages that these importz bore to the total imports of merchandise into India during the pre-war and post-war periods.

TABLE SHOWING THE PERCENTAGE SHARE OF COTTON MANUFACTURE IMPORTS TO TOTAL MERCHANDISE IMPORTS.

Year	%	Year	%
1900-01	39	1919-20	28
1901-02	40	1920-21	30
1902-03	39	1921-22	21
1903-04	37	1922-23	30
1904-05	39	1923-24	29
1905-06	41	1924-25	33
1906-07	38	1925-26	29
1907-08	37	1926-27	28

1908-09	31	1927-28	26
1909-10	34	1928-29	25
1910-11	35	1929-30	24
1911-12	36	1930-31	15
1912-13	38		
1913-14	36		
Average for 1900-1914	37	Average for 1919-1931	26.5

(source:- "Review of the Trade of India" 1900-1931).

A survey of the two sets of figures in the table warrants the following conclusions:- (1) In the post-war period cotton manufacture imports declined in importance in the import trade in merchandise; the average percentage in the post-war period was only 26.5 against 37 in the pre-war period, 1900-1914. (2) In the pre-war period there was a great deal of evenness and steadiness in these percentages from year to year which the post-war annual percentage seems to be without. The highest and lowest percentages of the pre-war period were 41 and 31; those of the post-war period were not only lower but had a much bigger difference, being 33 and 15. (3) The pre-war percentages have a note of steadiness, the only exception to this rule being the depression year, 1908-9. The percentage of the earlier part of the post-war period is a series of ups and downs, and that of the latter part a steady decline. The decline from 24 to 15 between 1929-30 and 1930-31 is worse than 30 to 21 between 1920-21 and 1921-22 because of the difference/

difference between a percentage of 30 and one so low as 24. It is interesting to note the similarity of features in the situation that brought about the decline of the percentages in the two cases even though they are separated by a decade. In both cases there was a depression on, in full blast, with its accompanying feature of a fall in prices. In the earlier case the situation was made worse by the fact that the importer of cotton manufactures in India was faced, not only with falling prices, but also falling exchange. In both cases also there was a boycott movement affecting the import of cotton manufactures. The fall in the prices of the staple Indian exports was worse in the latter occasion than in the former. Thus the total decline of merchandise imports in 1921-22 over 1920-21 was 20%, while in 1930-31 it was 31.5% over that of the previous year. In the earlier year cotton manufacture imports declined by 44%, that is a 24% greater decline than that of imports as a whole. In 1930-31 cotton manufactures declined by 57%, recording a decline of 25.5% more than the decline of imports as a whole. The similarity in the features and effects of the 1921-22 and 1930-31 situations seems to be very close.

The decline in the importance in the import trade of cotton manufactures being clear, it remains to enquire into the factors contributing to bring it about. The following table gives the figures of the values of (1) Cotton Manufacture imports into India, (2) the index numbers of the prices/

prices for the period of Grey, White and Coloured Piecegoods imports and (3) the index numbers of the prices of Indian exports as a whole. The index numbers of the prices of imported piecegoods in their three varieties are used here because cotton piecegoods imports constitute the bulk of the imports of cotton manufactures into India during this period.

	1. Value of Cotton Manufactures Imports in crores of Rupees.	2. Index Number of the Declared Value of Piecegoods per yard.			3. Index Number of prices of Export Commodities.
		Grey	White	Coloured, printed, or dyed.	
1913-14	66.30	100	100	100	100
1919-20	59	253	272	288	158
1920-21	102.12	275	286	332	140
1921-22	57	212	226	256	127
1922-23	70	197	206	242	140
1923-24	67.5	197	206	239	145
1924-25	82	203	203	230	154
1925-26	65.7	189	189	202	152
1926-27	65.05	156	169	180	132
1927-28	65.16	147	157	163	130
1928-29	63.24	144	151	161	127
1929-30	59.49	134	154	146	118
1930-31	25.25	113	103	129	94

(source:- The figures under columns 1 and 3 are from the "Review of the Trade of India" 1919-20 to 1930-31. Figures under column 2 are quoted from Burnett Hurst "Lancashire and the Indian market" Journal of the Royal Statistical Society, 1932, p. 417).

From this table it is clear that the prices of imported piecegoods throughout the 1919-20 to 1930-31 period are above the level of the prices of 1913-14. The rise in these prices was well over 100% down to the year 1924-25. In 1925-26 and 1926-27 they were well over 50% more than the pre-war year 1913-14. Between 1927-28 and 1929-30 they were about 50% more. It was only in 1930-31 that they fell to be less than 50% more than 1913-14. As against the rise in the price of imported piecegoods the index number of the prices of exported commodities shows that the highest rise was in 1919-20 when, under boom conditions, these prices rose by 58% over the 1913-14 level of price and ranged between 154 and 127 till 1928-29 when caught in the vortex of the depression they fell by 9 points in 1929-30 and a further 24 points in 1930-31, and in that year the index number of these prices was below that of the pre-war year, 1913-14, by 6 points.

In the light of the rise in the prices of imported piecegoods as given in the table it would be easy to see what should have been the total value of these imports if the quantity of these imports had been maintained as they were in 1913-14. The decline, therefore, in the quantity of the imports can be realised from the actual figures of the values of total cotton manufacture imports.

The disparity in the rise in the prices of imported piecegoods and of India's staple exports was then one factor making/

making for a reduction in the quantity of these imports. With these prices being what they were and the many difficulties of the year 1919-20, the import trade was 7 crores behind the value of imports of 1913-14. Although these prices in 1920-21 rose even higher than those of 1919-20, imports increased in 1920-21 by 43 crores over those of 1919-20, this, of course, was the influence of the high Rupee-sterling exchange ruling in that year to which reference has already been made and which put a premium on imports. The effect of the fall in exchange and the slump that set in towards the close of 1920 is seen in the large fall in the imports of cotton manufactures. Imports of cotton manufactures are, if it may be said so, the barometer of prosperity in the country, other things, such as tariffs, being unaltered. The period 1922-23 to 1924-25 it will be seen was one when the imports of cotton manufactures showed strength. The factors contributing to that were - (1) the rise in the prices of India's export staples. It will be seen that the index number of the prices of these rose during the period from 127 in the slump year, 1921-22, to 154 in 1924-25. (2) It was also a period of rising exchange. The rise of exchange from the depths to which it fell at the close of 1921 began in 1922 and reached 1/6 sterling in 1924. The sharp rise in the values of cotton manufacture imports in 1924-25 may be attributed to the rise in the price of cotton which is reflected in the index numbers of the prices of/

of cotton piecegoods imported into India. The outstanding feature of the period 1925-6 to 1929-30 was the steadiness and strength of the import trade of cotton manufacture. During that period imports of cotton piecegoods rose steadily from 1564 million yards to 1919 million yards in 1929-30 and reached the high-water mark of these imports with 1973 million yards in 1927-28. If, with this quantitative increase of imports, import values did not so commensurately increase the explanation of it lay in the fall of prices. The index number of imported cloth steadily declined during the period and it was this steady decline which maintained the trade as, otherwise with the fall in the prices of India's staple exports which took place simultaneously, the import trade in imported cloth should have shown a steep decline. The depression set in in full blast in India in 1930-31 and between 1929-30 and 1930-31 the index number of India's exports fell by 24 points. The fall in the total value of cotton piecegoods imports was, as has been said, to the extent of 57%, while total imports of merchandise was only to the extent of 31.5%. It is clear that the cause of the particularly heavy fall in the imports of cotton manufactures was the "boycott" then in progress in the country. This much is by way of a general statement on the features of the import trade in cotton manufactures as a whole during the post-war period and the factors that contributed to shape them. It remains to consider this import trade in greater detail.

It has been observed that the import trade in cotton manufactures/

manufactures consists mainly of imports of cotton piecegoods and a very much smaller value of cotton yarn and a still smaller value of miscellaneous cotton goods. The following table gives the figures in crores of Rupees of the total values of cotton manufacture imports and, separately, the values of imports of cotton piecegoods and of cotton yarn.

Year	Value of Cotton Manufacture Imports. in crores of Rupees.	Value of Cotton Piecegoods Imports. in crores of Rupees.	Value of Imports of Cotton - Yarn. in crores of Rupees.
Pre-war average	52.18	45.2	3.77
1913-14	66.30	57.60	4.16
1919-20	59	47.4	4.36
1920-21	102.12	83.78	13.58
1921-22	57	43.16	11.51
1922-23	70	58.51	9.26
1923-24	67½	56.84	7.94
1924-25	82	69.42	9.66
1925-26	65.67	54.42	7.77
1926-27	65.05	55.01	6.62
1927-28	65.16	55.13	6.79
1928-29	63.24	55.81	6.29
1929-30	59.49	50.25	6.00
1930-31	25.25	20.05	3.08
Post-war average	71.15	58.3	9.32

(source:- "Review of the Trade of India" 1919-20 to 1932-33).

A The Import Trade in Cotton Yarn, 1919-1931.

The table gives a concrete idea of the relative values and importance of cotton piecegoods and cotton yarn in the import trade. The nature and features of the import trade in cotton yarn may be briefly considered before taking up a consideration of the main item of the import trade in cotton piecegoods.

The following table gives the quantities in million lbs., and values in crores of Rupees, of imports of cotton yarn into India. It gives also the quantities in million lbs. of the cotton yarn production of Indian cotton mills.

	Cotton Yarn Imports in Million lbs.	Value of Cotton Yarn Imports in crores of Rupees.	Indian Mill Production of Yarn in Million lbs.
Pre-war average	41.7	3.77	646
1913-14	44.1	4.16	682.7
1919-20	15.09	4.36	635.76
1920-21	47.33	13.58	660.00
1921-22	57.12	11.51	692.3
1922-23	59.27	9.26	705.87
1923-24	44.57	7.94	608.62
1924-25	55.907	9.66	719.39
1925-26	51.68	7.77	686.42
1926-27	49.4	6.62	807.11
1927-28	52.35	6.79	808.91
1928-29	43.76	6.29	648.28
1929-30	43.88	6.00	833.54
1930-31	29.14	3.08	867.04

The pre-war annual average of cotton yarn imports into India is 41.7 million lbs., and the annual average of the twelve post-war years, 1919-20 to 1930-31 is 46 million lbs. Thus the import trade in cotton yarn has shown a small increase in the post-war period and this in spite of (1) the price of imported yarn being well above the pre-war prices as will be seen from a glance at the total annual values of these imports, and, (2) the increase in the internal yarn production by Indian Mills, (3) tariffs put on yarn imports in the post-war period while they had duty-free entry into the country in the pre-war period. A 5% import duty on imported yarn was levied from 1922 (page 2, "Review of the Trade of India" 1922-23). In 1927 this was changed by the Cotton Yarn Amendment Act from "5% ad valorem to 5% ad valorem or $1\frac{1}{2}$ annas per lb. whichever is higher" (page 6, "Review of the Trade of India" 1927-28). If, in spite of all these, the cotton yarn import trade was able not only to maintain itself but even to show an increase of imports, it seems worth while to inquire into the factors that contributed to give it that vitality.

The following table gives the percentages of the different counts of yarn in the import trade in yarn and of the yarn production of Indian Mills.

	Counts 1-20		Counts 21-30		Counts 31-40		Above 40		2 folds double	
Year	Imports	Production	Imports	Production	Imports	Production	Imports	Production	Imports	Production
1919-20	3	67.8	6.7	28.9	45.4	2.7	23.8	.6	8.5	-
1920-21	16	67.2	8.9	30.2	48.2	2.3	10.6	.3	9.0	-
1921-22	12.2	67.9	9.6	29.1	46.8	2.5	15.5	.4	10	-
1922-23	22	67.8	9.3	29.6	45	2.3	10.5	.3	7.7	-
1923-24	15.4	66.3	3.3	29.9	44.4	3.2	17.4	.6	9.0	-
1924-25	12.8	65.4	2.5	31.1	49.5	2.7	13.7	.8	10.4	-
1925-26	9.2	64.8	2.2	31.2	50.9	2.9	12.9	.8	12	-
1926-27	2.2	63.9	1.9	30.8	49.4	3.4	15.3	1.4	14.4	-
1927-28	4.7	61.2	1.6	32.5	52.2	4.2	15.4	1.4	26.0	-
1928-29	2.5	58.9	1.8	32.9	45.6	5.8	21.3	1.5	28.3	-
1929-30	4.7	59.2	1.6	32.6	45.7	5.6	18.3	1.8	29.7	-
1930-31	1.6	59.3	1.6	29.9	50.6	7.0	14.7	3.1	31.5	-

(source:- "Review of the Trade of India" Tables 1919-20 to 1931-32).

From the two tables of figures of the yarn import trade and of yarn production in India it seems obvious that the post-war period was one of increased cotton yarn consumption in the country. It will be seen that more than 90% of the large total Indian production of yarn is of the lower counts 1-20 and 21-30. With the help of the import duty on cotton yarn the import trade in yarn of these counts was greatly reduced, amounting to 3% in 1930-31. The effectiveness of the 5% duty levied in 1922 is obvious from the figures of imports of these yarns after that date. When, after 1927, this 5% ad valorem duty was converted into a specific duty of $1\frac{1}{2}$ annas per lb. the import trade in yarn of these counts

was (or) became ~~got~~ greatly reduced.

It is different in the case of the trade in yarns of the higher counts. In two-folds (double) the country relies on imports as there was no internal production. With increasing prosperity the import of this type steadily increased in percentage in the import trade, and the quantity of these imports increased from 1.2 million lbs. in 1919-20 to 13 million lbs. in 1929-30. In yarns of counts over 40 internal production increased from 3.5 million lbs. in 1919-20 to 15.3 millions in 1929-30 and 27.3 million lbs. in 1930-31. Imports of yarn of this quality increased from 3.5 million lbs. in 1919-20 to 9 million lbs. in 1929-30 and 4.2 million lbs. in 1930-31. The pre-war average imports of this/

of this kind of yarn were 7.6 million lbs to an internal production of 2.6 million lbs. Thus, while in the pre-war period ¾ths of the consumption of the country of this yarn was imported, in 1929-30 imports accounted for less than half of the country's increased consumption.

The pre-war average position with regard to yarns of counts 31-40 was that of imports accounting for 23.2 million lbs. and Indian production for 18.7 million lbs. In the post-war period production of these yarns by Indian Mills advanced from 17 million lbs. in 1919-20 to 60 million lbs. in 1930-31. The import duty of 1922 seems to have had some influence, but not very much, in checking imports of this quality of yarn. The specific duty imposed by the Cotton Yarn Amendment Act of 1927, however, did have an effect as it was designed to. Reviewing the effect of the duty the Tariff Board Cotton Inquiry Report of 1932 said - "the avowed object of the specific duty was to discourage imports of yarn of counts 31-40". (page 25). Imports of these yarns fell sharply, till in 1930-31 they amounted to only 14 million lbs. which was a little less than two-thirds of the pre-war average of imports of these.

In the light of this survey the following conclusions as regards the import trade in cotton yarn during the post-war period seem warranted. It was a period of increased yarn consumption in India and yet the import trade, while maintaining itself well in comparison with the pre-war average of yarn imports, showed very little elasticity.

This/

This lack of elasticity has to be attributed to the fact that India became almost entirely self-sufficing in the matter of yarns of the lower counts. 90% of the yarn consumption in the country belonged to this class of coarse yarns. With imports of these cut off by increasing internal mill production and by the import duty of 1922, revised in 1927, the room for the expansion of imports of yarn was greatly narrowed. Again as has been seen the Indian production of yarn counts above 30, especially those between 31-40, still further narrowed the room for imports. The fact that, in spite of this narrowing of the scope for imports, the yarn import trade was able to show some increase is an index to the Indian consumption of these yarns on the one hand and the fact that in the production of these, although Indian Mills did make progress, the difference of efficiency of production as between an Indian mill and those of the United Kingdom on the one hand and Japan on the other permitted of these imports entering the country in spite of the duty levied.

It may be contended that one factor that contributed to the increase in the imports of cotton yarn during the post-war period was the greater competition engendered in the import trade by the entry of Japan as a competing importer to the Indian yarn market. How effective that competition was can be realised from the following table of the shares of the imports of cotton yarn into the Indian market.

TABLE OF THE PERCENTAGE SHARES OF THE DIFFERENT COUNTRIES OF IMPORTS OF COTTON YARN INTO INDIA.

Year	United Kingdom.	Japan.	China including Hong Kong.
1913-14	86	2	
1919-20	81	13	
1920-21	49	42	
1921-22	70	26	
1922-23	52	45	
1923-24	49	46	
1924-25	37	57	
1925-26	31	65	
1926-27	41	54	2
1927-28	39	32	25
1928-29	53	17	26
1929-30	46	25	24
1930-31	35	24	40

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

In 1913-14 the United Kingdom had almost the monopoly of the import trade of cotton yarn to India. In 1930-31 her share was 35% while that of Japan and China put together accounted for 64%. If it is correct to say that the imports into India of cotton yarn from China are the production of Japanese mills in China then it is clear that Japan has been able in this period to wrest from the United Kingdom/

Kingdom a big share of her export trade to the Indian market. Earlier in this study, while dealing with the Indian export and import trade in Cotton yarn during the pre-war period, 1900-1914, it was remarked that the 20th Century was not to be one of any striking increase in the export trade in cotton yarn because of increasing industrialism in the, till then, unindustrialised world and because cotton spinning was the first step in starting on a career of industrialism for any country. Now if that was true of the pre-war period it was even more true of the post-war period. Evidence of this is furnished by the following figures of exports of yarn by two countries which lead in the exports of cotton yarn.

FIGURES OF EXPORTS OF COTTON YARN
OF THE UNITED KINGDOM AND JAPAN.

	United Kingdom. in Million lbs.	Japan. in Million lbs.
1909-13	216.9	132.2
1925	189.5	123.3
1926	168.5	81.6
1927	200.5	46.7
1928	169.2	29.0

(quoted from B. & H. Ellinger "Japanese Competition in the Cotton Trade" Journal of the Royal Statistical Society, Part II, 1930, p. 187).

The figures make out a far greater reduction in the quantity of cotton yarn exports in the case of Japan than of the United Kingdom. The point is then that ~~in the~~ with reduced exports/

exports Japan has been able to wrest a big share of the United Kingdom's share of her export trade in yarn to India. In the paper on "Japanese Competition in the Cotton Trade" referred to above the advantages which Japan had over the United Kingdom in the Cotton trade as a whole have been set down as consisting of the following:-

A. Cheaper labour in spinning and weaving.

B. Greater proximity to the large consuming markets in the far-east, particularly China.

C. Cheaper Cotton.

D. Organization of the industry.

Cheaper labour has been attributed to (a) a less expensive standard of living making possible an initially lower scale of wages; (b) a greater degree of flexibility in the Japanese wage structure; (c) a rising standard of productivity per worker due to increased efficiency. All these features are borne out by the following table reproduced from the far-Eastern Social Information Tokyo, Oct. 1934, quoted by G.E. Hubbard in "Eastern Industrialisation and its Effects on the West" p. 119.

JAPAN.

Situation relating to the increase of efficiency in cotton spinning.

1925 level - 100.

Year	Average Total Number of Workers per diem.	Index Number.	Number of Female Workers per 1,000 Spindles.	No. of Spindles per Female Worker.	Daily Output per Female Worker. lbs	per Female worker Average Daily Wage. Yen
1920	143,748	82.8	344	29.1	18.94	1.109
1925	173,604	100	288	34.7	18.13	1.16
1928	154,052	88.7	243	41.2	20.83	1.13
1929	159,672	92	215	46.5	22.44	1.17
1930	139,183	80	185	54.1	23.17	1.07
1931	121,669	70	166	60.2	26.19	0.89

Of the Lancashire Industry he says - "In contrast to the experience of Japan the ratio of labour costs to total production cost had in Great Britain remained stationary up to 1929". (Ibid. p. 121). It would help to consider this along with the following statement of the Tariff Board Inquiry Report about the Indian Cotton Industry in 1932 which runs as follows - "The relative cheapness of Indian labour, in spite of its low efficiency, appears to give India a considerable advantage over Lancashire and the U.S.A. But in the case of Japan, while the level of wages is perceptably higher than in India especially if it is taken to include all expenses incurred by mills for boarding, etc., the difference in efficiency far outweighs the higher wages paid in Japan". (p. 112).

While nearness to the large consuming markets makes possible a saving on freight the view is held "that it is not to be regarded as a factor of prime importance as freight charges are probably at most not more than 2½% on the c.i.f. value of the finished good". (B. & H. Ellinger, Journal of the Royal Statistical Society, Part II, 1930, p. 192).

Explaining how Japan gets her cotton cheaper, and giving average prices paid by Japan and the United Kingdom for their American and Indian cotton the paper referred to makes out that the United Kingdom paid more for her cotton at the rate of

10.2%	more in	1925-6
7.2%	" "	1926-7
9.5%	" "	1927-8
15.8%	" "	1928-9.

In explaining how the United Kingdom came to pay more in this way the Ellingers say - "the main explanation of these differences is to be found in the quality, that is grade, staple, and growth of cotton which the two countries are buying. We do not mean to infer that, like, for like Japan is buying more favourably than this country but that she has understood how to satisfy the world's demand for cheap bulk cloths by using a type of raw material which, although not as good as what we use, is sufficiently good to satisfy the world's requirements". (p. 205).

Putting together the findings of the Ellingers, Pearse, and Hubbard, the various features of organization which constitute special strength to the Japanese cotton industry may be set down as follows:-

(1) The centralised control exercised over almost the entire industry by the Japan Cotton Spinners' Association whereby it has been found possible to check over-production and uneconomic competition.

(2) Large manufacturing units working two shifts a day and equipped with ring spindles and, to a considerable extent also, with automatic looms. This was possible because in Japan the textile industry began to expand at a time when spinning technique elsewhere in the world was already far advanced. It was able therefore to profit by the perfecting of the ring spindle - a technical development which had come too late to be adopted by Lancashire on the same scale. The chief/

chief advantage of the ring spindle is said to lie in its ability to achieve a higher level of production in spinning the low and medium counts.

(3) Shipping subsidies.

(4) Concentration of Raw Cotton imports in the hands of a few large trading concerns and the system of bulk purchase whereby the spinner is often able to obtain his raw cotton at or below replacement cost.

(5) Greater efficiency in marketing the finished product resulting from centralisation of marketing agencies, from maintenance of closer contact with customers and from intimate co-operation between the manufacturing and mercantile sections of the Industry.

This survey of the features of the Japanese textile industry as a whole has been undertaken to provide the background for the understanding of the competition that Japan entered into with the United Kingdom in the import trade of cotton manufactures into India and its effect on the share of the United Kingdom in that trade. So far as cotton yarn is concerned it has been seen that the bulk of the yarn imports into India were made up of counts 31-40 and above. In the yarn trade the United Kingdom's share declined from a pre-war average of 89% to 35% in 1930-31. Apart from the other advantages that Japan had, the striking advance of the share of Japan in the yarn import trade from 1923-4 bears witness to the incidental advantage that she reaped from the fall of the yen exchange. The yen exchange in December, 1923, was/

was 152 Rupees per 100 Yen, and it fell to 112 Rupees in August, 1924, to 105 Rupees in December, 1924, was 107 Rupees in January, 1925, and ranged during the year between 107 and 118 and firmed up to 136 which was gold parity in 1926. Of the depreciation of the yen, the Tariff Board Inquiry into the Indian Cotton Industry in 1926, said in its report - "It need hardly be pointed out that it is impossible to disentangle the influence of exchange from other factors, but we think there can be little doubt that the depreciation of the Japanese exchange while it lasted stimulated exports from Japan to India".

The trade in yarn that the United Kingdom lost to Japan has been in counts of yarn 31-40. These it may be said constitute the bulk of the yarn imports into India. The percentages of the different counts of yarn imports given already bears witness to that. The following tables show the shares of the United Kingdom, Japan and China in cotton yarn imports into India.

IMPORTS OF COTTON YARN ACCORDING TO COUNTS AND COUNTRIES.

I Counts 31-40, in Million lbs.

	1926-27	1927-28	1928-29	1929-30	1930-31
United Kingdom	6	7.1	6.1	5.9	2.3
Japan.........	16	7.7	2.2	2.8	2.1
China and Hong Kong.....	.9	10.8	10.5	9.7	10.13

II Counts above 40.

	1926-27	1927-28	1928-29	1929-30	1930-31
United Kingdom	6.6	7.4	9.2	8.8	4.09
Japan..........	.86	.13	.036	.108	.081
China.........		.007	.10	.010	.074

III Twofolds (double).

United Kingdom	2.4	3.6	6.07	3.17	2.9
Japan..........	4.5	8.95	5.23	7.8	4.6
China.........	.011	.8	.8	.722	1.5

(source:- "Review of the Trade of India" 1928-29 to 1930-31).

The competition of Japan was mainly in counts 31-40 and in twofolds. The explanation of Japan concentrating on the high counts 31-40 and giving up the lower counts of yarn lay in the fact that the actual saving due to double shift working was highest in these counts rather than in the lower ones. The Tariff Board inquiry into the Cotton Industry in India in 1926 estimated that the complete advantages, including Capital charges, from double shift working in the spinning of yarns of 20s was 10 pies or 9.2% and for 32s, 16.55 pies or 10.6% or 12.5% according as price of Japanese or Indian yarn of 32s counts is taken. Summing up, the Report said - "these calculations show the extent to which the economies obtained by double shift working are more apparent in the higher than the lower counts and go far to explain why the severity of Japanese competition is so much more serious in respect of counts over 30s." (p. 64).

Evidence of the taking over of the ~~bulk~~ greater part of the import trade into India of yarns of counts 31-40 by Japan from the United Kingdom and the reaction of that loss on employment in Lancashire is provided in the following quotation taken from a paper by Daniels and Jewkes on the Post-war Depression in the Lancashire Cotton Industry (Journal of the Royal Statistical Society, Part II, 1928, p. 162). "The production of the finer and coarser qualities of yarn and piece-goods in the Lancashire Cotton Industry is so intensely localised that it is possible by comparing employment in different areas to gain a general idea of the varying degrees of industrial fortune which has been experienced by the different sections of the industry. On the spinning side Bolton is the centre for the production of the finer yarns made from Egyptian cotton and Oldham is the centre for the production of the coarse yarns made from American cotton... ......In Bolton employment has been comparatively stable since 1922 whereas in Oldham it has fluctuated with, if anything, a general downward trend".

Again on page 166 - "That increased competition would be experienced most acutely in the American section - that which produces the coarser qualities of goods - is to be expected. The comparative advantages, natural and acquired, of the Lancashire cotton industry belong pre-eminently to the Egyptian section - that which produces the finer qualities of goods - with consequences that normally this section is in a

stronger/

stronger position than the other section".

To conclude;- in the post-war period the import trade in cotton yarn has expanded compared to the pre-war period. The expansion was within fairly restricted limits. There was increased production of cotton yarn in India and if along with this there was an increase of imports it points to an increase in the internal consumption. According to the Tariff Board Cotton Inquiry Report in 1932 "of the cotton yarn consumed in India 6.6% was handspun yarn, 85.2% mill spun by Indian mills, and 8.2% was imported". (p. 159). Another development in India referred to by the Report was "that the average count of yarn spun in India has increased from 18.4 in 1925-6 to 20.5 in 1931-32, and in Bombay from 17.2 to 20.6". (p. 146). All that was left to the import trade was the imports of yarns 31-40 and above and the competition between the United Kingdom and Japan so divided the import trade that in the main the bulk of the imports of yarn of counts above 40 came from the United Kingdom and, in spite of the Cotton Yarn Amendment Act of 1927 which fell more heavily on counts 31-40, the import trade in yarns of these counts and of double-folds fell to the share of Japan. (The Amendment "meant on current prices an approximate increase of 8% on 16s, 7% on 12s, 5% on 32s, 4.5% on 40s, and 2% on 42s". Arno S. Pearse, "Cotton Industry Report - Japan and China", p. 127).

B The Import Trade in Cotton Piecegoods, 1919-31.

In the previous section the import trade of India in cotton yarn was considered. It was seen that on the average imports of cotton yarn in the post-war period was greater than in the pre-war period and this occurred in a period when the internal production of yarn was steadily increasing. The explanation of this quite interesting feature lay in the following position. The spinning of cotton yarn is truly the first step in a country's entering upon industrial development. So far as India was concerned the bulk of the yarn used by the hand-loom weavers who are the main consumers of cotton yarn is of the coarser type consisting of the lower counts. It has been seen that even in the pre-war period India had begun to supply herself with her own yarn of this type. That considerably narrowed the scope of imports of cotton yarn into India. It has also been seen that India made some advance in the spinning of yarn of the higher counts. Thus imports of cotton yarn into India in the post-war period was almost entirely of the higher counts, the consumption of which in the country was very small compared to the consumption of yarn of the lower counts. What caused the increase in yarn imports was (1) the increase in the consumption of these in the country, and, (2) the competition of Japan in the import trade in cotton yarn. Japan by the efficiency of her production, especially in counts 31-40, was able to wrest part of the United Kingdom's share in the/

in the import trade and win for herself a place in the import trade of India in cotton yarn. This was very definitely one factor that contributed to the increase of the post-war average of yarn imports into India. It seems fair to say that, so far as the yarn import trade was concerned, if it was not for the entry of Japan into it the share that she was able to appropriate for herself would most probably have been divided between the United Kingdom and India in which case the average of yarn imports into India would have been lower and perhaps lower than the pre-war average.

This was the position in yarn. The position in the import trade in cotton piecegoods in the post-war period was different. Different in the sense that, while the lines along which Indian cotton yarn production and piecegoods production developed were more or less the same, they did not synchronise in time and the development in piecegoods production in India began later in time and was slower at the start. One reason for the later and slower development of the production of cotton piecegoods was that this was a more advanced form of industrial production and as such perhaps had to come later. In Japan weaving of cloth in mills came later than spinning and the explanation is given by saying "the Japanese government recognised that changes in cotton weaving were to be much less radical than those in spinning (where the difference in the individual worker's output between power and hand is very much more pronounced)". J.E. Orchard.

It has/

It has been seen that India turned her attention to the increasing weaving of cloth only when the China market for her yarn began to show signs of weakness. Thus, while India supplied herself with the bulk of the yarn needed for consumption in the country at the close of the 19th century, that position with regard to cotton piecegoods was a development of the post-war period and that explains the difference that while the post-war average of yarn imports into India was larger than the pre-war average that for cotton piecegoods was smaller. The following table compiled from the Indian Tariff Board Inquiry Reports into the Indian Cotton Mill Industry in 1926 and 1932 provides corroboration of the contention put forward.

Percentage Shares of Imports, Indian Mill Production, and Indian Handloom Production in the Cloth Consumption of India.

	Imports.	Indian Mills.	Handloom Production.
1899-1900	64%	9%	27%
1913-14	60	21	19
1921-22	26	42	32
1926-27	33	40.6	26.4
1931-32	13.7	56.6	29.7

Surveying these percentages it is seen that at the beginning of the 20th century Imports of cloth and internal production consisting of both Mill and Handloom production stood/

stood in a relation of 16:9. Of the ~~cotton~~ cloth supply of the country provided for internally, three-quarters was Handloom woven and one-quarter by the power in Indian weaving mills. By 1913-14 there was a slight change in the proportion of imports and internal production which came to stand at $1\frac{1}{2}$: 1. The share of Indian Mills in the total supply advanced from 9% to 21%, 8% of this gain was at the expense of the Handloom weaver and 4% from imports. The free-trade period seems to have fallen very heavily on the Handloom weavers. The early post-war position revealed outstanding changes. The share of Indian Mills had doubled itself in 1921-22 over 1913-14. The Handloom weaver had also increased his share from 19 to 32% and imports declined by 34% to 26%. The share of imports made some advance in 1926-7 but was not able to maintain ~~it~~ itself and in 1931-32 the share of imports fell to 13%. The lion's share of what was lost by imports fell to the lot of Indian Mills, the Handloom weaver coming in for the crumbs ~~of~~ from the master's table.

Thus the decline in the share of imports was small in the pre-war period but was heavy in the post-war period and it is difficult to dissociate this decline in the percentage of imports in the post-war period from the fact that, while the pre-war period was a free-trade period with a $3\frac{1}{2}$% import and excise duty on imported and Indian Mill cloth, the post-war period was one very different. The duty on cotton piece-goods was raised during the war from $3\frac{1}{2}$ to $7\frac{1}{2}$ in 1917, and to 11%/

11% in 1921. The excise duty on internally produced mill cloth was retained at 3½% unchanged. In 1930 the duty on cotton piecegoods was raised to 15% with, in addition, a 5% protective duty against all cotton piecegoods imported from outside the United Kingdom, with a minimum of 3½ annas per lb. on all plain grey goods imported. In March, 1926, the excise duty of 3½% on internally produced cloth was abolished but in that year the exchange rate was fixed at 1/6. Of the ~~absolution~~ abolition of the excise duty and the raising of the exchange rate and their effects on the Indian cotton industry the Tariff Board Report on the Inquiry into the Cotton Industry, 1926, quotes Sir Victor Sassoon as saying - "I have worked out the difference between the present 1/6 and 1/4 rate as very little less than the excise. So to-day with the excise removed all we are getting is, I think, a .03% advantage over what we would have had if the excise had been left and we had our 1/4 gold as we had last year". (p. 72). Thus it will be seen that the post-war period was different from the pre-war and, although so far as cotton piecegoods imports were concerned a partial protective duty of 5% came on on non-British imports only in 1930, the raising of Revenue duties from 3½ to 15 in the course of the period has had a protective effect.

With this background the change in the place of imports of cotton piecegoods in the total cloth consumption of the country may now be considered. The following table gives the/

the figures of total cloth consumed in the country, the net imports of piecegoods, the quantity of Indian mill-made cloth available for consumption and the estimated production of cloth by the handlooms in the country. (In Million Yards).

Years.	Net available for consumption.	Net Imports.	Net available Indian Mill Production.	Estimated Handloom Production.
1913-14	5,280	3,130	1,080	1,070
1919-20	2,990	990	1,440	560
1920-21	4,030	1,450	1,430	1,150
1921-22	3,780	1,020	1,570	1,190
1922-23	4,420	1,520	1,560	1,340
1923-24	3,970	1,420	1,540	1,010
1924-25	4,820	1,770	1,790	1,260
1925-26	4,480	1,530	1,790	1,160
1926-27	5,150	1,760	2,060	1,330
1927-28	5,440	1,940	2,190	1,310
1928-29	4,730	1,910	1,740	1,080
1929-30	5,590	1,900	2,290	1,400
1930-31	4,720	870	2,460	1,390

(source:- "Review of the Trade of India" 1930-31 p. 37).

It will be seen that in the post-war period the retained import of cotton piecegoods declined considerably, the highest import of the period being 1,940 in 1927-28 and the lowest 870 millions in 1930-31. The pre-war average for

these/

these imports was 2,632 million yards and the post-war average (1918-19 to 1930-31 average) was 1,352 million yards. Considering these averages the post-war import of cotton piecegoods average was half the pre-war average. The factors contributing to this decline may be stated as consisting of (1) the decline in the per capita consumption of cloth (2) the increase in the home production of piecegoods as a result of favourable conditions which contributed to a striking development in the home production of piecegoods. The tariff levied on the commodity was one factor tending to create the conditions which made for such development. The "Review of the Trade of India for 1933-34" (p. 37) gives the following figures of the per capita consumption of imported and home-made cloth in India and the total per capita consumption.

Years.	Per Capita Consumption of Imported Cotton Piecegoods.	Per Capita Consumption of Indian Mill Production.	Per capita Consumption of Handloom Production	Total per Capita Consumption of Piecegoods.
1913-14	9.78 yds.	3.38 yds.	3.34 yds.	16.50 yds.
1919-20	3.09	4.50	1.75	9.34
1920-21	4.53	4.47	3.59	12.59
1921-22	3.19	4.90	3.72	11.81
1922-23	4.61	4.73	4.06	13.40
1923-24	4.30	4.67	3.06	12.03
1924-25	5.36	5.43	3.82	14.61
1925-26	4.50	5.27	3.41	13.18
1926-27	5.18	6.06	3.91	15.15
1927-28	5.71	6.44	3.85	16.00

1928-29	5.46 yds.	4.97 yds.	3.09 yds.	13.52 yds.
1929-30	5.43	6.54	4.00	15.97
1930-31	2.49	7.03	3.97	13.49

It is clear that the per capita consumption of cloth has fallen off to a certain extent during the pre-war period from the consumption of the year 1913-14. It has been seen earlier in this study that, although in the pre-war period the price of the cloth generally showed a tendency to rise, the greater rise in the price of India's export staples made the purchasing power of the people more than equal to the occasion with the result that it expressed itself in an unmistakable increase in the consumption of cloth. In the post-war period that position was changed. Earlier in this chapter on the import trade in cotton manufactures the index numbers of the prices of imports of Grey, White and Coloured, printed and dyed piece-goods have been given as also the index numbers of the prices of India's exports. Although in the post-war period imports of cotton piecegoods declined yet as the country still depended on imports to supply a part, if even a small part, of the total cloth consumption of the country the prices of Indian cloth generally followed the prices of imported cloth. The Tariff Board Report of 1926 on the Cotton Industry in this connection says - "Experience as well as theoretical reasoning shows that the price of Indian manufactured cloth is influenced by the price of imported cloth even when the classes are not in direct competition". Thus one reason of the decline in the consumption of cloth/

of cloth was that, generally speaking, their price during the whole of the post-war period was not only well above the pre-war price of cloth but well above the index numbers of prices of agricultural products. "Index numbers of the prices of imported cloth varied from 325 in 1920 to 210 in 1925, of Indian cloth from 313-213 and of Indian exports from 175-145". (Tariff Board Report of 1926 on the Cotton Industry). The disparity between agrarian and industrial prices since the great fall in prices in 1921 may be regarded as one of the factors, and a very powerful factor, in keeping down the consumption of cloth, for a decline in purchasing power is more prone in the case of India to show itself in the consumption of cloth. Other things remaining the same, the decline in the purchasing power of the country as the result of the disparity between agrarian and industrial prices on the one hand and the growth of population on the other should have, on the whole, contributed to an absolute increase in the net imports of piecegoods. The large decline in piecegoods imports is then a product of the new position created in the post-war period by the tariff levied on imports of cotton piecegoods which rose from $7\frac{1}{2}$ to 11 and to 15.

The trends of the import of piecegoods into India may now be briefly surveyed. The war, the failure of the Monsoon in India, and the influenza epidemic of 1918 all combined to reduce imports so that in 1919-20 imports of cotton piecegoods stood at the low level of 990 million yards. The influence on/

on imports of the high sterling exchange in 1920 is unmistakable in the year 1920-21 when imports rose to 1450 million yards. In 1921-22 there was a slump. Prices fell but exchange fell also and in addition there was a boycott in India and imports fell away to 1,020 million yards. In the year also the import duty was raised from 7½% to 11%. Thereafter the import trade recovered to 1,520 millions in 1922-23 and, under the influence of rising exchange and the depreciation of the yen, continued on a career of advance to 1,940 million yards in 1927-28. In 1923-24 the high price of cotton caused a partial decline in both Mill production in India and imports, and in 1926-27 the Indian industry got a slight encouragement from the abolition of the excise duty and the freeing of Mill stores and machinery from import duty, while imports also got an encouragement by the fixing of exchange at 1/6. In 1929-30 imports declined to 1,900 million yards and in 1930 the tariff was raised to 15% with a 5% more for non-British imports and a specific duty for grey goods of 3½ annas. A word must be said about this discriminatory tariff. The Tariff Board Report on the Cotton Mill Industry in 1932 stated in its report that "a given class of cloth made by an Indian mill competes with a variety of imported cloths of similar and of different qualities, designs and dimensions. The price actually realised by the Indian mill may be presumed to reflect the competition which arises from every class of cloth likely to be considered by the purchaser more or less equally suitable/

suitable for his purpose". In view of that the tariff ought to have been levied on all imports. The Discriminatory tariff in 1930 whereby British goods were taxed less and Japanese more, devised by the British government of India, points its own moral. In addition there was a fall of prices of exports and a boycott and, under the combined onslaught of all these factors, imports touched the lowest water mark of 870 million yards.

In attempting to find out how the decline in imports of cotton piecegoods affected the import trade in the different classes of imports of Grey, White, and Coloured goods it may help to put down the shares of the United Kingdom and Japan in the import trade in piecegoods.

PERCENTAGE SHARES IN THE IMPORT TRADE IN PIECEGOODS.

Years	United Kingdom.	Japan.
Pre-war average	97.4	0.1
1913-14	97.1	0.3
1919-20	90.3	7.0
1920-21	85.6	11.3
1921-22	87.6	8.3
1922-23	91.2	6.8
1923-24	88.8	8.2
1924-25	88.5	8.5
1925-26	82.3	13.9
1926-27	82.0	13.6
1927-28	78.2	16.4

	United Kingdom.	Japan.
1928-29	75.2	18.4
1929-30	65.0	29.3
1930-31	58.8	36.1

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

The table reveals the remarkable advance of Japan in the share she acquired in the import trade to India of cotton piecegoods. Her gain was entirely at the expense of the United Kingdom. "The enlargement of the production of cotton cloth for export constituted in fact the most permanent development that has come to Japanese industry out of the war". So said the United States Tariff Commission Report of 1921 on the Japanese cotton industry. Generally speaking it was the great disparity between cost of capital equipment and that of labour that held up the development of industries and the attainment of higher efficiency. The profits accumulated during the war enabled Japanese concerns to re-equip themselves with improved machinery and then Japan began to be a factor to be reckoned with in the competition of the world market. The process of rationalization which began shortly after the war did not make much headway in the early post-war period because, the expansionist policy of the Japanese government of the time, provided no incentive to reduce costs. Japan became involved in a financial crisis as the result of ill-regulated expansionism. On top of it came the earth-

quake/

quake of 1923. The combined result was the financial crisis of 1927 which brought about the collapse of the ~~Suizuki~~ Suzuki firm. This made the country recognise the need for some form of adjustment in the state of agreement to control prices and limit output. The Inouye administration in 1927 put an end to the inflationist monetary policy. The deepening ecomonic depression from 1930 made all this insufficient, and, with Government aid, there was then set up the Committee "to study and inquire into all important matters relating to rationalization of industry and other measures to promote industry in general". Thus it was the ending of the expansionist regime that made real the necessity of reducing costs and it is from that time that rationalization in industry became effective. The rapid increase of Japan's share in the Indian import trade in cotton piecegoods after that time is really striking. The working and effects of rationalization in cotton cloth weaving in Japan will be easily realised from the following table.

JAPAN.

Situation relating to the increase of efficiency in cotton weaving factories.

1925 level = 100.

Year.	Average Total Number of Workers per diem. Male.	Female.	Total.	Index.	No. of Female Workers Per 1,000 Looms.	No. of Looms per Female Worker.	Annual Output per Female Worker in yards.	Average Daily Wage per Female Worker.
1920	8,005	39,048	47,053	84.4	875	1.14	19,515	0.85 yen
1925	8,703	47,023	55,726	100	747	1.34	25,083	0.97
1928	8,259	35,446	43,705	78.4	502	1.99	38,989	1.01
1929	8,484	34,208	42,692	76.6	498	2.01	44,967	0.99
1930	7,396	27,956	35,352	63.4	429	2.33	49,664	0.87
1931	5,817	23,024	28,836	51.7	358	2.80	61,008	0.76
1932	5,379	25,615	30,994	54.5	368	2.72	61,277	0.70
1933	5,276	29,013	34,309	61.6	392	2.55	57,694	0.67

"Far Eastern Social Information Tokyo October, 1934". (quoted from G.E. Hubbard, p. ~~119~~ 120). Eastern Industrialisation and its Effects on the West.

All that has been said so far is justification enough for the Indian Tariff Board Inquiry into the Cotton Industry in 1932 to say, as it does on page 140, "that the cotton industry of Japan is one of the most highly rationalized industries in the world catering for a large number of export markets and therefore is in a position to adjust prices quickly so as to meet changing conditions in particular countries". These statements have a bearing on the increase in the share of cotton piecegoods imports in India from Japan even in the year 1930-31 when a discriminatory tariff had been levied on her goods in the shape of an extra 5% on non-British imports of piecegoods.

In the light of this survey it can be safely stated that the increasing share of Japan in the piecegoods import trade of India was a fact contributing to maintain the trade. For example the import quantities for 1930-31 were what they were largely because of Japanese imports, and if it was not for the large share that Japan was able to acquire by her lower production costs, and if imports of piecegoods came entirely from the United Kingdom the decline in the import trade in piecegoods into India would have been even more marked. The increased competitive strength of the Japanese cotton textile industry was recognised in the following terms by the Indian Tariff Board Inquiry of 1926 (p. 50); "stated broadly the position is that the Japanese manufacturers are supplying longcloth and shirtings which are only slightly inferior to Lancashire/

Lancashire goods at prices which are distinctly lower than those of the latter and differ very little from the cost of manufacture alone of Indian goods to which their quality is distinctly superior".

It now remains to examine how the decline in the total imports of cotton piecegoods affected the import trade in the different classes of Grey, White, and Coloured goods. The following table gives the figures of the imports of Grey goods. There is a difficulty in this case because there are not separate figures of Indian mill production of Grey and White goods. The two are lumped together. Mr G.S. Hardy, the Cotton Tariff Officer, Calcutta, estimated that not more than 1% of the piecegoods classed as grey and bleached ~~is~~ consists of bleached goods. The Tariff Board Report of the Indian Cotton Mill Industry in 1932 felt constrained to say - "We believe on the evidence we have received in this inquiry that the output of bleached goods in India was considerably underestimated by Mr Hardy". (p. 144). When, a little later, the figures of imports of bleached goods are given it will be seen that they are comparatively steady and that seems to warrant the conclusion that bleached goods, even if not so low as estimated by Mr Hardy, constituted a very small part of the total of Grey and White goods produced by Indian mills.

GREY GOODS.

Years.	Imports of Grey Goods.	Production by Indian Mills of Grey & Bleached Goods.
	in million yards.	in million yards.
Pre-war average	1,331	
1913-14	1,534	1,164
1919-20	534	1,640
1920-21	580	1,580
1921-22	636	1,731
1922-23	931	1,725
1923-24	704	1,701
1924-25	846	1,970
1925-26	709	1,954
1926-27	748	2,258
1927-28	876	2,356
1928-29	839	1,893
1929-30	926	2,419
1930-31	365	2,561

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

Before coming to a conclusion about the import trade in Grey goods it would be well to consider along with the table given above the share of the United Kingdom and Japan in the import trade in Grey goods and the declared value of imports and exports of Grey goods.

Years.	Percentage Shares in Grey Goods Imports.		Declared Values of Imports & Exports of Grey Goods per yard.	
	United Kingdom.	Japan.	Imports.	Exports.
			Rs-as-ps.	Rs-as-ps.
1913-14	98.8	.5	0- 2- 8	0- 2- 7
1919-20	87.1	11.8	0- 6- 9	0- 6- 4
1920-21	72.4	25.9	0- 7- 4	0- 7- 4
1921-22	82.8	13.1	0- 5- 8	0- 6- 6
1922-23	89.5	9.6	0- 5- 3	0- 5-11
1923-24	85.2	13.9	0- 5- 3	0- 5- 3
1924-25	86	13	0- 5- 5	0- 4-10
1925-26	79.2	20.1	0- 4-11	0- 4- 5
1926-27	78.7	20.7	0- 4- 2	0- 4-10
1927-28	74.4	24.5	0- 3-11	0- 4- 9
1928-29	69.4	28.8	0- 3-10	0. 4-10
1929-30	56.2	42.5	0- 3- 7	0- 4- 8
1930-31	39.2	59.8	0- 3- 0	0- 4- 4

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

Putting these two tables together it seems fair to conclude that the decline in the import trade in Grey goods seems to have been made up by increased Indian mill production. The loss of the import trade in this line has been a very big one. Part of the reason of this big decline is to be found in the statement of the Report of the Tariff Board Inquiry into the Indian/

Indian Cotton Mill Industry in 1926. On page 47 it says - "the Japanese are not finding the trade in piecegoods of the coarser counts as profitable as formerly and are turning their attention more and more to the finer counts and the coloured goods for which there is a better market in Calcutta and Rangoon respectively". Even so it must be said that it is the increasing share of Japan in this line of goods in the import trade and the evidence of it in the big fall in the declared values of imports per yard which was lower than that of the declared value of Indian production of like kind which not only reduced India's export trade in Grey goods but gave a life to the import trade in Grey goods which they it otherwise would not have had. If the depression year, 1930-31, is left out, the average of the import trade in Grey goods during the period 1919-20 to 1929-30 was 57% of the pre-war average of Grey goods imports.

The following table gives the figures of imports of White goods and the shares in the import trade in this class of goods of the United Kingdom and Japan.

Years.	Imports of White Goods in million yards.	Percentage Shares in White Goods Imports.	
		United Kingdom.	Japan.
Pre-war average	654	98.3	
1913-14	793	98-5	
1919-20	322	96.6	0.9
1920-21	422	96.9	0.9
1921-22	306	97.8	0.6

	Imports.	United Kingdom.	Japan.
1922-23	402	98.2	0.6
1923-24	415	97.0	0.6
1924-25	549	97.1	0.8
1925-26	465	96.0	1.0
1926-27	571	96.4	0.5
1927-28	556	94.7	1.0
1928-29	554	94.8	1.0
1929-30	474	92.1	2.9
1930-31	365	84.6	10.3

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

The absence of any serious Japanese competition and the fact that Indian mills produced comparatively small quantities of White goods have served to make the import trade in this line of cloth more stable. It will be seen that the rise in prices of white goods over the pre-war level was much higher than that of Grey goods, hence the import trade, if it shows stability, certainly lacks elasticity. The decline in 1930-31 was comparatively mild in the case of these goods compared to that of Grey goods for which the specific duty was specially devised. The average of imports of White goods during 1919-20 to 1929-30 was 70% of the pre-war average of imports of these goods.

To get a concrete idea of the trend of the trade in Grey and White goods certain main items of the trade may briefly be considered. The following table gives the figures of imports/

imports of Grey and White goods imports under the class of Longcloth and Shirting and the internal production of these goods by the mills in India.

LONGCLOTH & SHIRTING.
in million yards.

Years.	Imports.		Indian Mill Production.
	Grey.	White.	Grey, & White.
1913-14	545	115	292
1919-20	114	77	444
1920-21	181.9	108.5	456.2
1921-22	129.4	48.2	487.0
1922-23	280	69.4	470.6
1923-24	119	67	443.5
1924-25	206	122.7	525.5
1925-26	171.3	93.8	521.1
1926-27	168.8	97.4	580.5
1927-28	233.4	112.1	620.0
1928-29	252.0	123.0	472.2
1929-30	340.1	104.0	585.2
1930-31	166.3	71.9	642.2

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

It is clear that in the production of Longcloth and Shirting Indian mills got a good start during the war period which they consolidated and improved upon in the post-war period and thereby appropriated to themselves about 350 million/

million yards of the import trade in these. The import trade in White goods in this class has been steadier if more inelastic than that of Grey goods. Table XXXIV (p. 40) in the Tariff Board Report Inquiry into the Cotton Mill Industry in 1932 gives the shares in million yards of the United Kingdom and Japan in this class of goods.

	Grey.				White.		
Year.	U.K.	Japan.	China.	Total.	U.K.	Japan.	Total.
1926-27	71	97	-	168	91	1	97
1927-28	77	153	3	233	63	2	112
1928-29	48	191	12	252	112	3	123
1929-30	21	310	8	340	88	9	104
1930-31	5	159	2	166	50	18	72
1931-32	3	127	3	134	38	39	214

The conclusion seems fairly clear. The Tariff Board summed it up thus - "In Grey Shirting and Longcloth the United Kingdom has lost practically the whole of her trade to Japan. The great fall in imports from Japan in 1930-31 reflects the influence of the protective duties of that year for it is to that class of goods that the specific duty is applicable"....p. 41. The increasing competition of Japan in White goods to which the specific duty does not apply is seen in the way imports from Japan increased while these from the United Kingdom declined.

It is superfluous to multiply examples of the trade in the import trade in Grey and White goods. The one given is a fair/

a fair sample of declining imports and the staying of the decline that Japanese competition represented. There was however a difference in the import trade in the class of Grey and White goods consisting of Dhuties, sarees and scarves. After reviewing the figures of the import trade in Table XXXIII the Tariff Board Report of 1932 concludes by saying on p. 40 that the great decline in imports of both Grey and White goods in this class from the United Kingdom has been made good not by increased import from any other country but by increased production in Indian mills. Japan sent increased imports up to 1929-30".

Import Trade in Coloured Goods Piecegoods.

The following are the figures of the import trade and internal mill production of Coloured Piecegoods in million yards.

Years.	Imports.	Indian Mill Production.
1913-14	832	291.9
1919-20	208	475.7
1920-21	489	451
1921-22	138	446
1922-23	244	453.5
1923-24	347	503.6
1924-25	407	588
1925-26	366	540
1926-27	447	681.5
1927-28	505	681.5

	Imports.	Indian Mill Production.
1928-29	507	483.7
1929-30	483	604.1
1930-31	246	556.6

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

A fuller idea of the factors influencing the two sets of figures given will be gathered from the percentage shares of the United Kingdom and Japan in the import trade and the declared values of imports and exports of coloured piecegoods.

Years.	Percentage Shares in the Import Trade in Coloured Piecegoods.		Declared Values of Piecegoods per yard.	
	United Kingdom.	Japan.	Imports.	Exports.
			Rs-as-ps	Rs-as-ps
1913-14	92.6	.2	0- 3- 5	0- 5- 0
1919-20	89.9	5	0- 9-10	0- 7- 7
1920-21	91.8	3.3	0-11- 4	0- 8- 7
1921-22	88	3.6	0- 8- 9	0- 7- 7
1922-23	86.9	6.3	0- 8- 3	0- 7- 6
1923-24	87.4	6.7	0- 8- 2	0- 6- 8
1924-25	83.1	10	0- 7-10	0- 6- 5
1925-26	73.1	19	0- 6-11	0- 6- 5
1926-27	71.1	19.2	0- 6- 2	0- 6- 1
1927-28	69.8	20.3	0- 5- 7	0- 6- 0
1928-29	66.2	21.7	0- 5- 6	0- 5-11
1929-30	57.6	31.9	0- 5- 0	0- 5- 9
1930-31	60	30.2	0- 4- 5	0- 5- 7

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

In 1913-14 imports of Coloured Piecegoods were almost three times the internal mill production. The gain of Indian mills in this line of production during the war period is seen in the advance of internal production figures over those of 1913-14. The fall in the figures of internal production in 1920-21 is to be mainly attributed to the big jump up of imports from 208 million yards in 1919-20 to 489 million yards in 1920-21. This was, no doubt, caused by the high sterling exchange of that year. In 1921-22 both imports and internal production declined as a result of the slump and fall in prices. The greater fall of imports is to be attributed to the boycott of that year. Thereafter both imports and internal production increased, imports more slowly than internal production, and the explanation of this difference lies in the lower prices of internal production compared to imported coloured goods. Japanese competition became serious after 1927-28 and the effect of it is seen in the strength shown by import figures and the comparative weakness of the figures of internal production. The explanation of this lies in the prices of imported coloured goods which were lower than those internally produced. Partly also the weakness of internal production is to be attributed to the increased imports of artificial silk piecegoods which was to the extent of 42 million yards in 1926-27 and rose to 53 in 1927-28 and to 56.6 in 1929-30. Imports of coloured piecegoods fell by a half in 1930-31 from what they/

they were in 1929-30. How the decline in the imports of imported coloured piecegoods expressed itself in the different items of this trade can be realised from the following table of figures.

IMPORTS OF COLOURED PIECEGOODS.

in million yards.

Years.	Dhuties, sarees, and scarves.	Cambrics.	Shirtings.	Prints and Chintz.
1913-14	115.2	113.6	152.6	209.7
1919-20	23.5	29.5	28	48.9
1920-21	42.4	54.3	71.6	114.7
1921-22	21.1	17.7	25.0	28.7
1922-23	24.8	36.2	38.2	44.7
1923-24	32.9	44.1	51.6	61.5
1924-25	46.0	44.5	69.3	59.5
1925-26	29.9	34.7	72.5	56
1926-27	35.5	43.2	90.8	50.5
1927-28	38.4	50.4	88.7	69.1
1928-29	36.3	49.7	95.0	75
1929-30	32.6	43.5	105.4	61
1930-31	19.1	20.5	54.7	33.7

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

It will be seen that the import trade in shirtings has shown less weakness than the other three items of the import trade. The Tariff Board Report of 1932 says on page 42 "Japanese/

"Japanese competition is keen in printed drills, jeans, twills and shirtings; in dyed drills, jeans, cambrics, flannelettes and shirtings and in coloured woven drills, shirting and twills. The Japanese share in this trade rose from 10% in 1924-25 to 30% in 1930-31.

This concludes the survey of the import trade in Cotton manufactures during the period 1919-20 to 1930-31.

II The Import Trade in Sugar, 1919-1931.

The importance of the import trade in Sugar will be realised from the following table of figures of (1) the import quantities in tons, (2) their values in crores of Rupees, and, (3) the percentage that these bore to the total import trade in merchandise.

Years.	Quantities.	Values.	Percentage Share in the Import Trade.
Pre-war average	634,000	12.5	9
1919-20	408,700	21.84	11
1920-21	236,900	16.99	6
1921-22	717,600	26.78	12
1922-23	442,400	14.89	6
1923-24	411,500	14.78	7
1924-25	671,000	20.37	9
1925-26	732,600	15.20	7
1926-27	826,900	18.37	8
1927-28	725,800	14.50	6
1928-29	868,800	15.86	6
1929-30	939,600	15.51	6
1930-31	901,000	10.54	7

(source:- "Review of the Trade of India" 1933-34).

Before trying to understand the character of the Sugar import trade from the table given it would help to take account/

account of certain other developments which may be expected to have a bearing on the import trade in sugar. These are (1) that during the period the internal production of white sugar from cane and gur increased steadily. The extent of the increase can be realised from the following figures of the production.

1923-24	....	94,718 tons.
1924-25	....	67,398
1925-26	....	91,399
1926-27	....	121,026
1927-28	....	119,739
1928-29	....	99,088
1929-30	....	110,918
1930-31	....	151,120

(source:- "Review of the Trade of India" 1933-34, p. 62).

(2) The increase in the production no doubt was aided by the rising import duty on sugar. The non-protective special duty on sugar was raised from 10% ad valorem in 1919-20 to 15% in 1920-21 and 25% in 1921-22. In 1924-25 this special ad valorem duty was changed into a specific duty of Rs. 4-8-0 per cwt. for sugar above Dutch standard 23 and Rs. 4-0-0 for these between 8 and 23 Dutch standard. Those below paid the 25% ad valorem rate. During 1929-30 the specific duties were raised to Rs. 6 and Rs. 5-8-0 and the ad valorem rate of 25%/

25% had a Rs. 1-8-0 charge tagged on to it. In 1930-31 the rates were still further raised to Rs. 7/4, Rs. 6/12 and the 25% ad valorem rate plus Rs. 2-12-0. Such were the Revenue duties levied on sugar during the period. The Indian Tariff Board that inquired into the claim of the sugar industry of India for protection in 1931 gives the following figures of the duty levied per Maund of 87 lbs. and the annual average price of Java White sugar per Maund at Calcutta.

Years.	Duty per Maund.	Average Price per Maund Calcutta.
	Rs-as-ps.	Rs-as-ps.
1920-21	2-11- 8	29-14- 0
1921-22	2- 2- 5	16- 8- 0
1922-23	3- 2- 0	15- 9- 9
1923-24	3- 9-10	18- 0- 8
1924-25	2-13- 0	14- 1- 7
1925-26	3- 4- 9	10-13- 9
1926-27	3- 4- 9	11-13-11
1927-28	3- 4- 9	10- 6- 0
1928-29	3- 4- 9	9-12- 6
1929-30	3- 4- 9	9- 0- 2
1930-31	4- 6- 5	

The strength of the import trade in sugar during the period was due to the fact that in spite of increasing duties the average selling price of sugar in Calcutta fell to less than a third between 1920-21 and 1930-31 and this stimulated the consumption of sugar and gave strength to the import trade/

trade in spite of the internal production of sugar. The Tariff Board Report of 1931 on the Sugar Industry, dealing with the fall in price of sugar, observes on page 23 - "in particular the increase of duty of Rs. 1-8-0 per cwt. in March, 1930, does not appear to be fully reflected in the price". According to it the price per Maund of Java White sugar stood in Calcutta at Rs. 8-3-6 in February, 1930, and after the increase of duty rose to Rs. 8-14-6 in March and Rs. 9-1-6 in April, that is an increase of 11 and 14 annas a maund respectively against an increase in duty of Rs. 1-1-0 per maund. Thus the fall in the price of sugar during the period, while it increased the quantity of the imports, reduced their value and the percentage that the value of sugar imports bore to the total import trade in merchandise.

For an explanation of the fall in the price of sugar which was a feature of the period as a whole one must turn to the world production and consumption of sugar. The following table gives these figures -

WORLD SUGAR PRODUCTION AND CONSUMPTION.

in 1,000 of Long Tons in terms of Raw Sugar.

Year ended September 1st.	Cane Sugar Total.	Beet Sugar.	Total World Production.	World Consumption.
1924	15,058	5,970	21,028	21,219
1925	16,327	8,180	24,507	22,994
1926	17,219	8,443	25,662	24,378
1927	16,532	7,783	24,315	24,497
1928	17,270	8,998	26,268	26,193
1929	18,902	9,462	28,364	27,006
1930	18,890	9,206	28,096	26,624
1931	17,990	11,737	29,727	27,132

(quoted from the "Economist" page 852, April 22, 1933).

The position outlined by the figures of production outrunning consumption, was, in a sense a product of the war when the decline of Central European Beet production led to increase of cane sugar production, especially in Cuba and Java. In addition to the extension of the area under sugar-cane there was brought about in these countries a rapid reduction of costs following the introduction of a high-yielding variety of cane, Java P.O. J2878, and the installation of improved milling ~~melting~~ machinery. At the same time production of cane sugar increased enormously in the Philippines, in Hawaii, and Porto-rico and Formosa protected by Tariffs. Protected also by steep tariffs, Central Europe began, after the war, turning out increased sugar-beet crops. This so far as production is concerned.

Of sugar consumption, the Imperial Sugar-cane Research Conference, that met in London in 1931, said "the average annual increase in world consumption of sugar for several decades before the war was at the rate of about 3%. Since the war it has averaged about 4½% but has recently shown a tendency to return to the pre-war rate". (p. 16).

Apart from conditions of world production and consumption there was another important feature that affected the sugar trade and that is that the actual free market for sugar, came, in the post-war period, to be severely restricted. It was restricted by import prohibitions, as in the case of Australia, and by protection and preferences almost everywhere else.

Yet/

Yet another feature influencing the sugar trade and sugar prices was referred to by the London Conference mentioned already. On page 60 of that report there is the following:- "In the former easy conditions of the sugar industry and especially in the days of sailing vessels freight was a comparatively unimportant factor....................But with increasing competition and even higher steamer charges a sugar market was limited by distance". This explains how the Indian merket came to be ~~as it did~~ almost the monopoly of Java.

In the light of all these facts the free market for sugar in the post-war period came to be estimated by Prinsen Geerligs at 3,400,000 metric tons. Under the circumstances "even a small excess in a world production which amounts to 28 million tons, if faced with a restricted market, may result in a completely disproportionate fall of prices". (p. 9). "Indian Tariff Board Sugar Report, 1931". The following table gives the annual surplus or deficiency in world sugar in 1,000 tons and average spot prices in New York.

Year ended September 1st.	Surplus + Deficiency -	Average Spot Price in New York excluding Duty Calendar Year. Cents per Lb.
1924	- 191	4
1925	+1,513	2.3
1926	+1,284	2.3
1927	- 182	2.7
1928	+ 75	2.2
1929	+1,358	1.8

1930	+1,472	1.4
1931	+2,595	1.4
1932	+ 927	0.9

(source:- p. 852, "Economist" April 22, 1933).

The Indian tariff impositions on imported sugar during the period were intended partly for Revenue purposes and partly also to help the Indian sugar industry to rear itself and partly as a help to the grower of cane in India "seeing that of the cost of producing white sugar direct from cane about two-thirds may be taken to represent the cost of cane delivered at factory, which in the case of Gur manufacture is even higher". (Indian Tariff Board Report, 1931). The Tariff Board of 1931 that inquired into the sugar industry in India was convinced that the sugar industry satisfied all the conditions laid down by the Indian Fiscal Commission of 1922 for the grant of protection and granted it. Although the bulk of the consumption in the country was of gur and not sugar, the steady increase in the import of sugar during the 30 years from 1900-1930 makes it clear that as the Tariff Board Report puts it "that gur, however plentiful, does not replace sugar to any material extent and that only by the manufacture of white sugar in India by modern methods can imports of foreign sugar be reduced". (p. 25).

The following index numbers of wholesale prices of sugar help to show the influence of the duties levied in India/

India on the price of sugar in spite of the large fall in the declared value of imports.

WHOLESALE PRICES.

Years.	United Kingdom C.I.F. Prices excluding Duty.	Calcutta Wholesale Price Index.
1903-13 average	100	1914 = 100
1921	153	270
1922	128	221
1923	216	246
1924	182	239
1925	106	179
1926	103	178
1927	115	171
1928	97	165
1929	77	162
1930	56	128

(source:- U.K. table 81 p. 27
Imperial Sugar-cane Research Conference 1931 London,
India - "Review of the Trade of India").

III The Import Trade in Mineral Oil, 1919-1931.

In the study here of the import trade in merchandise there are two more items to be considered before bringing it to a close. These are the import trade in Mineral Oil and the import trade in Iron and Steel. The former may be considered first although it will be seen that from the point of view of value and even of economic importance it should really come after the consideration of the import trade in iron and steel.

It has been seen that imports under the head of Mineral Oil consist of items such as (1) Kerosene oil which is an article of general use in the country, and, (2) fuel and batching oils which during the period under review were of growing importance in a way they were not in the pre-war period. The importance of the import trade in this group of imports can be gathered from the following figures of their percentage shares in the value of the import trade in merchandise as a whole.

PERCENTAGE OF MINERAL OIL IMPORTS IN THE TOTAL VALUE OF MERCHANDISE IMPORTS.

Pre-war average..........	3
1919-20..................	4
1920-21..................	2
1921-22..................	3
1922-23..................	3
1923-24..................	4

1924-25..................	4
1925-26..................	4
1926-27..................	4
1927-28..................	4
1928-29..................	4
1929-30..................	5
1930-31..................	6.6

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

Mineral Oil imports it will be seen belong to the class of imports that, during the period, have improved their position in the import trade, steadily rising from a value of 3% to 6.6 in the last year of the period.

The following table gives the percentage shares of the different items in the import trade in Mineral Oils.

PERCENTAGE SHARES.

	Kerosene.	Fuel Oils.	Lubricating Oil.
1923-24	38	48	11
1924-25	38	48	11
1925-26	39	47	11
1926-27	35	49	13
1927-28	41	46	11
1928-29	43	43	11
1929-30	42	43	11
1930-31	41	44	11

(source:- "Review of the Trade of India" for the period).

Of the three items referred to here, which are the outstanding items in the import trade in Mineral Oil, Kerosene from the point of view of value is easily the most important even though its percentage share is less than that of fuel oil. The increase in the percentage share of Kerosene oil imports may be expected materially to influence the value of total imports of Mineral Oil imports.

The increase in the total volume and value of Mineral Oil imports are given in the table below, along with separate figures of the imports of Kerosene oil and their values.

Years.	Mineral Oil Imports in Millions of Gallons.	Values in crores of Rupees.	Kerosene Oil Imports in Millions Of Gallons.	Values in crores of Rupees.
1913-14	95	4.12	68.8	2.8
1919-20	144.5	9.26	94.1	6.62
1920-21	125.9	8.34	57.2	4.31
1921-22	122.9	7.3	46.5	3.46
1922-23	132.9	6.8	50	3.38
1923-24	169	8.4	69	4.42
1924-25	187	9.4	72	4.77
1925-26	200	10.05	79	5.17
1926-27	183	8.89	64	4.3
1927-28	232	10.44	94	5.39
1928-29	242	10.70	104.6	5.76
1929-30	253	11.04	106.5	5.88
1930-31	242.5	10.48	98.9	5.34

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

So far as the Mineral Oil import trade is concerned, the striking feature in it has been the remarkable growth during the period of the import trade in Fuel oil. In 1913-14 out of the total Mineral oil imports of 95 million gallons, 69 million gallons were Kerosene oil and 7.8 million gallons were fuel oil. In 1919-20 fuel oil imports rose to 34 million gallons and with steady increase imports amounted to 110 million gallons in 1929-30 with a value of 2.09 crores. Even in spite of the striking increase in the imports of fuel oil, Kerosene oil retained its place as the most important item of the import trade in Mineral oil. It may seem, when considering the import trade in Mineral oil during the pre-war period, that the steady increase in the coast-wise imports of Burma oil into India made foreign imports have a slightly downward trend in the import trade in Kerosene. In the post-war period the position was the other way about. Foreign imports of Kerosene oil showed more strength than the coast-wise imports from Burma. The fact that imports from Burma were not able to improve their figures rather suggests the thought that it was not capable of any greater expansion and was almost at the end of its tether from the point of view of increasing supply. The following tables showing figures of world production of crude oil and the Indian production which includes the production of Burma lends weight to that idea.

	World Production of Crude Oil in Barrels of 42 U.S. Gallons.	Annual Output of Crude Oil in India including Burma in Million Gallons.
1919	545 Million Barrels	306 Million Gallons.
1920	693 " "	283 " "
1921	765 " "	306 " "
1922	851 " "	298 " "
1923	1018.6 " "	294 " "
1924	1013.6 " "	294 " "
1925	1067 " "	289 " "
1926	1098 " "	280 " "
1927	1254 " "	281 " "
1928	1322 " "	
1929	1484 " "	
1930	1403 " "	

(source:- "Economist Commercial Review and History" for each year).

The following table gives the total Indian consumption of Kerosene, their index number and the percentage share of it contributed by Burma and foreign countries. (1900-1 base - 100).

Years.	Supply available for Consumption in India in Million Gallons.	Index Number.	% supplied by Indian Production.	% of Imports.
1921-22	164.47	209	72	27.9
1922-23	174	221.6	71	28.3
1923-24	200	254.6	67.6	32.4
1924-25	205	261.1	65.3	34.7

1925-26	216	274.7	64	36
1926-27	205	261.7	69	30.8
1927-28	228	290.8	59	40.8
1928-29	215	273.6	52	48
1929-30	250	318	57.8	42.2
1930-31	227.8	289	57	43

(source:- p. 808 "The Statistical Abstract for British India" 1921-1931).

So far as the import trade of India in Kerosene oil is concerned it seems fair to conclude that it was influenced mainly by the increase of the world supply of oil and the inelasticity of Burma production. In an article on the world's oil resources ("Economist" p. 201, January 29, 1927) the world's supply of oil is estimated as having increased at the following rates.

<u>Increase in the World's Supply of Mineral Oil</u>.

1912 = 9%.   1913 = 4%.   1915 = 8%.   1916 = 10%.
1917 = 2%.   1918 = 8%.   1919 = 26%.   1920 = 12%.
1921 = 9%   1922 = 18%.   1923 = 0.6%.   1924 = 5%.
1925 = 0.2%.

About 80% of the world's supply of oil belonged to the U.S.A. but the share of other countries was also expanding as, for example, during 1923-26 the share of other countries expanded from 14% to 21%. The figures of world production given/

given already help to realise how the increase in the production was kept up during the remainder of the 1919-1931 period. This provides the clue to the increase in the import trade of India in Kerosene oil.

Kerosene oil, being an article of general consumption, it naturally was subject to Revenue tariffs and the changes in the Revenue tariffs may be noted here. The import duty on Petroleum was 1 anna 6 pies per gallon from 1910. In 1917 the duty was raised to 2 annas 6 pies and an excise duty, which had not been imposed till then, was levied in 1922-23 of one anna, and this was raised to 1 anna 6 pies when the import duty was lowered to 2 annas 3 pies in 1930. The duties in Motor Spirit were raised from 4 annas per gallon in 1924-25 to 6 annas in 1928-29 and to 8 annas in 1930-31. Imports of Batching oil had a duty of Rs. 10 per ton imposed in 1925-26 and this was raised to Rs. 12-8-0 per ton in 1930-31. The import revenue from Mineral oil rose from 1 crore in 1919-20 to 2.11 crores in 1930-31. This is a fair index to the expansion of the import trade during the period.

Even in spite of a world consumption expanding in a very healthy way, over-production became serious in the latter part of the period under review and resulted in a Rate war during 1927-28 which stimulated imports. It will be seen by a reference to the figures of imports of Kerosene that foreign imports increased in that year by 30 million gallons. In the/

In the pre-war period the price-war between the Burma Oil Company and the Shell Group led to an understanding by which the Shell Group was to make up any deficiency of supply should the resources of the Burma Oil Company not be able to meet the Indian demand. The importing of Russian oil into India by the Standard Oil Company in 1927 led to a price-war initiated by the Shell Group which was the unit whose trade would suffer by the incursion of the Standard Oil Company into the Indian market. When the incursion took place the Indian Mineral Oil Companies applied for protection to the Tariff Board in India which was turned down. An agreement between the warring companies was formed in 1928. That Tariff Board Inquiry estimated the annual burden on the consumers in India of the monopoly of the oil companies, at Rs. 5 crores per annum. (p. 88). In spite of large increases in the world production of oil one index to the large monopoly element in the production and sale of it is seen by the fact that, throughout the period under review, the average declared value of Kerosene oil imports kept well above the declared value of 1913-14. The following table gives the figures of the annual average declared value of imports of Kerosene oil per gallon:-

Declared Value of Kerosene Oil per Gallon - Annual Average.

	Rs-as-ps.
1913-14	0- 6- 8
1919-20	0-11- 3
1920-21	0-12- 1
1921-22	0-11- 1
1922-23	0-10- 9
1923-24	0-10- 3
1924-25	0-10- 8
1925-26	0-10- 5
1926-27	0-10- 9
1927-28	0- 9- 3
1928-29	0- 8- 9
1929-30	0- 8-10
1930-31	0- 8- 8

(source:- "Review of the Trade of India" 1919 - 1931).

IV The Import Trade in Iron and Steel, 1919-1931.

The import trade in Iron and Steel was not included in the survey of the import trade of India in merchandise in the pre-war period. In the post-war period this item of the import trade acquired, as a result of various developments, an interest and importance that demands its inclusion in it. Some of the developments that have contributed to invest the import trade in Iron and Steel with a larger interest and greater importance in this period are the following:- (1) From the point of view of value the trade in this has acquired a greater importance in the import trade. The following table gives the value in crores of Rupees and the percentage share of this in the total import trade in merchandise into India and the quantities in tons of imports of Iron and Steel and manufactures thereof:-

Years.	Quantities in tons.	Value in crores of Rupees.	% of these Values to total values of Merchandise Imports.
Pre-war average	808,000	12.48	7
1913-14	1,016,000	16.00	-
1919-20	427,000	16.32	8
1920-21	712,000	31.29	9
1921-22	613,000	21.13	8
1922-23	746,000	18.37	8
1923-24	756,000	17.92	8
1924-25	869,000	18.93	8
1925-26	884,000	18.06	8
1926-27	845,000	16.75	7

1927-28	1,197,000	21.43	9
1928-29	1,170,000	20.24	8
1929-30	973,000	17.20	7
1930-31	614,000	10.88	7

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

In the post-war period India consumed a larger quantity of Iron and Steel manufactures than in the pre-war period. That was because the post-war period was a period of prosperity in India except towards the end of the period. It was a period also when the pace of industrial development was quickened. In the pre-war period the country relied exclusively on imports for Iron and Steel manufactures and the need of the country was recognised by keeping the revenue tariff on these imports as low as 1% ad valorem. Towards the close of the pre-war period an Indian Iron and Steel company came into being and, with the stimulus given by the war, began rapidly to rear itself. In the post-war period the orientation of the economic policy of the country in the light of the necessity of industrial development led to a recognition of the view that this Indian industry should have the first claim to supply the Indian market with iron and steel goods. This led to the grant of protection for it. In the pre-war period 60% of the imports of iron and steel into India came from the United Kingdom. In the post-war period there was a far greater competition for the Indian market/

market. The grant of protection to the Indian Iron and Steel Industry accelerated the pace of its development and its output. These then justify and explain the inclusion of this item of the import trade in a survey of the import trade of the post-war period and its non-inclusion in that of the pre-war period.

Before going on to consider the trade in detail it would help to take account of the Tariff changes affecting the imports of Iron and Steel during the period. In 1894 an import duty of 1% <u>ad valorem</u> was imposed on imports of Iron and Steel and manufactures thereof. This duty was much lower than the general 5% <u>ad valorem</u> rate of the time and was so because it was felt that higher duties might impede the development of the country. In 1916 the duty was raised to 2½% and in 1922 to 10%. After the findings of the Indian Fiscal Commission, the Iron and Steel industry in India was the first to apply for the grant of protection against imports. The Indian Tariff Board that inquired into the claim of this industry for protection was satisfied that on the principles laid down by the Indian Fiscal Commission the industry was entitled to protection and recommended that, to bridge the differences between the price at which these imports are likely to enter India without a duty and the price which gives the Indian manufacturer a fair return on his capital, protective duties should be imposed and, in the case of rails, bounties also granted. The duties proposed for the principal products compared/

compared to the then existing position is summarised as under -

	Prices at which Steel is likely to enter India without a Duty.	Existing 10% Tariff.	Proposed Tariff.
	Rs. per ton.	Rs. per ton.	Rs. per ton.
Bars.................	140	13.8 to 15	40
Angles, Beams, channels.........	145	15	30
Rails 30 lbs. & over	140	14	14 plus bounty.
Plates - ordinary...	150	15	30
Sheets - Black......	200	17.8 to 40	30
Sheets - galvanised.	300	30 to 42-8-0	45

("Report of the Tariff Board Inquiry Report" 1924).

In broad effect the proposal amounted to a doubling of the 10% ad valorem rate which ruled up to that time. The Steel Industry (Protection) Act XIV of 1924 came into force from the 13th June, 1924. The proposals were limited to a period of 3 years because of the uncertainty of the course of world prices and the probability of a fall in the cost of production.

As enacted, a fresh inquiry into the protection necessary for the Indian Steel Industry was undertaken by the Tariff Board in 1926. This became necessary because the protection afforded became ineffective and inadequate with the continued depression in the steel industry in Europe, the continually depreciating/

depreciating exchanges and the rise in the value of the Rupee. The features of its recommendation were (1) a continuance of protection on the lines recommended for a further period of seven years, (2) the system of bounties to be abolished and protection was to be afforded by means of customs duties only, (3) a double scale of duties was proposed, that is (a) a basic duty with reference to the price of British steel and leviable on steel coming from all countries, and (b) an additional duty based on the difference between British and Continental prices and leviable on non-British steel only. The differential duties as between British and non-British steel was defended by the Board by saying - "our enquiry is confined to economic issues and if a system of differential duties is desirable in the interests of India on economic grounds....................we do not feel debarred by political considerations from recommending it". The Board maintained that in their opinion these differential duties were necessary "in order to secure an equitable distribution of the burden over the different classes of consumers and to ensure the stability of the scheme of protection". (1926 Steel Report). The new duties compared with the existing duties are shown in the following table.

Products.	New Duties. Basic. Rs. per ton.	New Duties. Additional. Rs. per ton.	Existing Duties. Rs. per ton.
Rails.......	13	-	14 plus bounties.
Fishplates..	6 (min.)	-	14 plus bounties.
Structural sections..	19	11	30
Galvanised sheets....	38	-	45
Bars........	26	11	40
Black Sheets	35	24	30
Plates......	20	16	30

The Board also recommended that the basic duty should not be modified until after a statutory enquiry to be held not earlier than 1933-34 but suggested that the Governor General in Council should be vested with power to vary the additional duty in either direction on a consideration of variations in the price of non-British steel. The Board proposed very little material change in the list of protected Iron and Steel manufactures except that in the case of plates and sheets the protection was proposed to be extended to chequered plates and to sheets of all descriptions, excluding those coated with metal other than tin or zinc. In the case of these plates the protective duty was to be reduced from Rs. 85 to Rs. 48 per ton. The Bill embodying these/

these proposals came into force on the 1st April, 1927. In view of the Protective Measure of 1924 and that of 1927 it is imperative to see how the import trade into India of Iron and Steel Manufactures was distributed among the exporting countries. The following table gives the shares through the period 1919-20 to 1930-31 of the exporting countries in the Indian import trade in Iron and Steel Manufactures.

SHARES OF THE DIFFERENT COUNTRIES IN THE INDIAN IMPORT TRADE IN IRON AND STEEL AND MANUFACTURES THEREOF.

	U.K.	Germany.	Belgium.	U.S.A.
1913-14	59.8	19.6	17	2.2
1919-20	63	.2	3.1	32
1920-21	70	2.1	9.7	16
1921-22	45.7	9.8	26	13.7
1922-23	48.1	12.1	30.7	5.1
1923-24	56.7	8	28.7	2.4
1924-25	50.5	10	31.4	2
1925-26	55.3	7.8	25.9	2.6
1926-27	48	9.3	30.4	3.4
1927-28	57.2	6.6	26.4	1.4
1928-29	55.5	6.0	28.5	1.5
1929-30	49.9	6.0	32.1	1.6
1930-31	43.8	7.2	33.7	2.4

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

It has been seen already that the protection given to the Indian steel industry was intended only to equalise costs so as to help an infant industry to rear itself. The figures of the import trade in iron and steel have also been given and reveal that the tariffs did not prevent imports from increasing. A survey of the shares of the different countries in the import trade in iron and steel manufactures shows that, in spite of differential duties, the share of the United Kingdom in the import trade declined from 60% in 1913-14 to 50% in 1929-30 and 44% in 1930-31. It seems fairly obvious that what the United Kingdom lost Belgium gained. The truth was that in the post-war period the British Iron and Steel industry was in a state of depression. In the immediate post-war years, especially the years following the slump of 1920-21 and reconstruction in Central Europe, the shares of the United Kingdom, Germany and Belgium in the Indian iron and steel import trade advanced at the expense of the U.S.A. The share of the latter fell from 32% in 1919-20 to 2% in 1924-25. Obviously under peace conditions all the European competitors of the U.S.A. in the Indian import trade in iron and steel may be expected to be in a position of advantage, compared to the U.S.A., in the Indian market, as a matter of nearness. ~~comparatively~~. Besides the U.S.A., having thrown off the effects of the slump earlier than European countries, had a good home market to concentrate on. After 1924-25 the progress of Belgium and Germany in the Indian trade was at the expense of the/

the United Kingdom. It will be seen that in 1924, the year when for the first time protection was granted to the Indian steel industry, imports of iron and steel into India rose by 115,000 tons stimulated by rising exchange and in anticipation of the new duties. The share of the United Kingdom fell by 6.2% in that year and that of Germany rose by 2% and of Belgium by 2.7%. 1926, the year of the general and coal strikes, also depressed the share of the United Kingdom in the Indian trade and saw the shares of Belgium and Germany advance. The differential duties devised by the Tariff Board helped to strengthen the share of the United Kingdom but the United Kingdom did not seem able to consolidate the position for by 1930-31 her share touched the lowest water-mark of 43.8% with Belgium only 10% behind her. The reason why the United Kingdom was not able to consolidate the advantages which she got during 1923-24, the year of the occupation of the Ruhr by France, and following 1927, when differential duties were imposed giving her the advantage, was really due to the depressed state of the British steel industry in the post-war period. The roots of the depression go back into the war period when production was greatly expanded in all the producing countries to meet the war demand. The result was that "the aggregate production capacity of continental Europe is almost 50% greater that it was in 1913. So is the British capacity. The American increase is probably 60%". ("Economist" p. 382, September, 1, 1928). The reason for the/

the depression of the British iron and steel industry is "not primarily due to lack of demand" but "to causes which enable the total demand to be met to an increasing extent from foreign sources". ("The Iron and Steel Industry since the War" p. 383, Journal of the Royal Statistical Society, Part III, 1930, M.S. Birkett). These causes have been made out to be "the advantages continental producers possess in lower capital charges, lower charges for rates, taxes and social services, the disparity in the internal and external purchasing power of French and Belgian currencies, and especially the lower wages and longer hours worked on the Continent. Wages on the Continent have a tendency to rise but even now the rates paid in the U.K. are 33% higher than those prevailing in Germany which in turn are 50% higher than those in France and Belgium". ("Iron and Steel in 1928" p. 331, February 16, 1929, "Economist"). This is enough to suggest the explanation of the decline in the strength of the United Kingdom in the import trade in iron and steel manufactures. The Tariff Board reports on the increase of the steel duties in 1924 and all the other reports of later inquiries into the steel industry give the figures of the disparity of prices between British and Continental steel.

A consideration of the main items of the import trade in iron and steel may now be taken up. The post-war period saw India change from being an importer of pig-iron to being an exporter. Pig-iron imports amounted to nearly 13,000 tons in 1913-14/

in 1913-14 and nearly doubled themselves in 1921-22. They fell to a half of this in 1922-23 and a third of this reduced figure in 1923-24 at which figure they maintained themselves for the rest of the period.

Pig-iron.

The production of pig-iron in India during the post-war period rose from 358,000 tons in 1920-21 steadily to 1,376,000 tons in 1929-30 and exports increased from 42,000 tons in 1919-20 to 569,000 tons in 1929-30. Thus in the production of pig-iron, which is the first step in the development of an indigenous heavy industry, India was able to show tangible results. This development was aided by a 10% revenue duty on pig-iron imports which enabled the Indian supply to capture the home market. India produced during the period a supply of pig-iron that needed an export market to take it off. This was also possible mainly because during the period the older iron and steel industries of other countries in the world began to concentrate on the production of finished steel manufactures and found it worth while to import pig-iron and fabricate it rather than to produce it themselves. "The Report of the Indian Tariff Board on the Removal of the Revenue Duty on Pig-iron" gives, on page 3, Rupees 67 as the C.I.F. landed price of imported pig-iron and the average price realised for exported pig-iron was Rs. 42 per ton for the Mysore Iron work (p. 10). The Tata Iron and Steel Company during the eleven months of 1928-29 exported/

exported to foreign countries 103,424 tons for which it realised Rs. 38-4-4 per ton (p. 7). Even if this export price was a depressed price due to having to export it still reveals a substantial difference in costs of productions of pig-iron in India and its export markets, which was the reason for such a striking development of an export trade in pig-iron. During the period the markets for India's pig-iron were mainly Japan, Australia, New Zealand and to a certain extent the United States of America.

Galvanised Sheets.

Quite the most important item in the import trade in iron and steel and manufactures thereof is that of Galvanised Sheets. Imports of this commodity amounted to 278,000 tons in 1913-14 and in 1925-26 to 283,000 tons and reached the record figure of 331,000 tons in 1927-28. Thereafter it steadily declined till it reached 147,000 tons in 1930-31. It could, therefore, be said that imports of galvanised sheets averaged about between 20% and 25% of the total imports of iron and steel. Of the demand in India for this commodity the Indian Tariff Board Report on Additional Protection to Galvanised Sheets in 1930 wrote as follows - "We have carefully considered the trade returns with a view to ascertaining to what extent the demand for galvanised sheets is influenced by price. It is quite clear that the demand is a fluctuating one and depends not so much on price as on industrial development, Railway expansion, and the outturn and price of certain crops particularly Jute and Rice the prevailing/

prevailing crops in those districts in which galvanised sheet is mainly used. The demand for galvanised sheets can frequently be postponed and when depression exists in certain trades the demand falls off. Similarly the cultivator replenishes his requirements of galvanised sheets in those years in which his crops are good and prices satisfactory, in years of bad crops he makes no purchase however favourable the price. The demand is not constant and the price of galvanised sheet does not form the most important factor in determining the demand curve of the agriculturist". (p. 7). The graphs on page 174, appendix III, of the Tariff Board Report on the Iron and Steel Industry bear out the contention in the statement quoted above.

The Indian iron and steel industry had not begun to manufacture galvanised sheets in 1926 and in 1927 its production was only 12,000 tons. The 1930 report referred to above said that so far the production of these sheets had not exceeded 25,000 tons annually. Thus the country depends mainly on imports for galvanised sheets and the United Kingdom supplied practically the entire imports, so much so that when in 1926 differential tariffs were levied on British and non-British steel no provision was deemed necessary in the case of galvanised sheets. "Continental competition which in 1926 scarcely existed has now made itself felt in a marked degree. Until recently, through the action of the British Sheetmakers' Association, the price of British galvanised/

vanised sheets was maintained at about £1 per ton above the Belgian C.I.F. level". (p.3, The Report of 1930). On account of the fall in prices this report said " the protection now received by the Indian Manufacturers falls short of the protection required by Rs. 37 per ton. We recommend that additional assistance to this extent should be granted." (The Report of 1930, pp. 3 & 4). The Board felt that its terms of reference would not permit it to propose differential duties. Between 1926-27 and 1929-30 imports of galvanised sheets from Belgium increased from 10,000 tons to 51,600 tons.

Imports of Tinned Sheets.

Also an item of some importance in the import trade Tinned Sheets in certain ways showed trends different from that of galvanised sheets. In 1913-14 the imports were 53,000 tons. In the post-war period that figure was not touched at all, the highest import figures being 49,000 tons in 1920-21. Up to 1923-24 imports maintained themselves somewhat, thereafter a decline set in and in 1930-31 the imports were about 17,000 tons. The main reason for the subdued character of the import trade in Tinned Plate was the fact that the Indian demand was not as big as that for galvanised sheets and the progress of Indian production. The Tariff Board Steel Report of 1926 said "the tin-plate industry affords a notable illustration of the industrial progress attainable within a comparatively short period under the policy of discriminating protection".

Production/

Production increased from 9,000 tons in 1923 to 35,000 tons in 1926 and 46,000 tons in 1932. The Report of 1926 suggested a reduction of duty from Rs. 85 to Rs. 48 where the duty stood during 1930-31. In the import trade in this item the imports from the U.S.A. rose in 1930-31 to double those of 1920-21 while those of the United Kingdom showed great weakness and fell to a half and a fifth in 1929-30 and 1930-31 respectively from what they were in 1920-21.

Another item of importance in the import trade was that in sheets not galvanised or tinned. These imports amounted in 1913-14 to 100,606 tons. In the year when protection was granted to the Indian steel industry imports exceeded the 1913-14 figure and amounted to 118,000 tons. From that time it declined, falling to 39,000 tons in 1930-31. In the year of the general strike British imports fell to half that of those from Belgium. The figures of imports in the following years suggest the influence of (1) increased Indian production, and (2) the differential duties and in 1930-31 British imports were 26,000 tons and those from Belgium barely 11,000.

Steel Bars (other than steel castings) were imported in the year 1913-14 to the extent of 204,000 tons. That figure was not reached at all in the post-war period. In 1922-23 imports amounted to 192,000 tons and stood at 181,000 in 1927-28 and 170,000 tons in 1928-29. In 1930-31 these imports fell by a half. A survey of the declared value of these imports shows that after 1925-26 these were not very much/

much above the pre-war level. The failure of imports to expand is accounted for by the internal production. In this item of the import trade Belgium was the main source of imports and accounted for more than half of the imports. The effect of differential duties imposed in 1926 is seen by the fact that in 1928-29 British imports doubled themselves as against the previous year and imports from Belgium and Luxemburg declined heavily.

The last item of imported iron and steel manufactures considered here is structural steel goods. Imports of these in 1913-14 amounted to 90,000 tons. In spite of the imposition of protective duties in 1924 imports rose from 80,900 tons in 1924-25 to 98,100 tons in 1925-26. This increase of imports is to be mainly attributed to the fall in prices for their declared value fell from Rupees 153/in 1924-25 to 125 in 1925-26. In the general strike year, 1926-27, imports fell to 72,100 and doubled themselves in the next year. The large importations in anticipation of the tariff charges of 1926 delayed the effectiveness of the differential tariffs imposed in 1926. It was only from 1928-29 that they expressed themselves and the imports from Belgium declined while those from the United Kingdom increased. In the depression year, 1930-31, imports of structural steel stood at 87,000 tons, that is to say they were only 3,000 tons short of the importations of 1913-14. On the whole then it is right to say that these imports have maintained themselves well in spite of internal production/

production and tariffs. The explanation of this lay in the facts (1) that the demand during the period in the country was an increasing demand, and (2) the elasticity of the demand was maintained by the fall of prices for structural steel that belonged to that group of iron and steel manufactured imports in which the declared value of imports fell to the pre-war level very early in the period, which in this case was the year 1925-26.

In concluding this survey of the import trade in iron and steel manufactures it might help to take stock briefly of the effect of protection and the growth of an infant steel manufacturing industry in India in the various items of the import trade in this group. Considering the figures of the quantities of total imports and an internal manufacture estimated at between 500,000 and 600,000 tons, it is safe to say that there was an increased demand and consumption in the country of iron and steel manufactures. The internal production in every item of this group was not the same. It was more in some and less in others. In the case of imports of sheets and plates (a) tinned, and (b) not tinned or galvanised, the import was made to a certain extent inelastic by the growth of internal production - this was more pronounced in tinned sheet and plate than in the other group. It has been noted that, late in the period, there was a small quantity of internal production of Galvanised sheets. Considering the importance of this item of imports as evidenced by its/

by its large quantity and the scope for the increase in the demand for it, internal production does not seem to have had any, or rather seems to have had very little, influence in limiting imports. What is true of galvanised sheets seems also true of structural steel imports. In this case the limited internal production and the elasticity of demand generally, stimulated by the large fall in price, made the quantity of imports elastic and internal production seems to have had almost no influence on the elasticity of import quantities. In the case of steel bars the fact that imports in none of the post-war years touched the pre-war figure of 204,613 tons warrants the conclusion that internal production did have an influence in limiting imports and this in spite of an early and big fall in prices which restored prices to the pre-war level. Internal production seems to have seriously limited imports of pipes and fittings cast for in this case while the import figure for 1913-14 was 56,000 tons the highest post-war import figure was 27,000 tons in 1922-23 and the lowest 3,000 in 1930-31. Similarly nails, rivets and washers definitely declined from 25,000 tons in 1913-14 to 19,000 in 1927-28 and 14,000 in 1930-31. In the case of an unprotected item like, tubes and fittings wrought, imports increased from the 1913-14 figure of 18,000 to 47,000 in 1927-28 and 38,000 in 1930-31. Similar was the position in imports of angle and spring which increased from 44,000 in 1913-14 to 68,000 in 1927-28. Another unprotected item in which the import trade/

trade more than maintained itself was in hoops and strips for even in the depression year imports were greater than those of 1913-14. In the light of the growing demand in the country for these imports and the smallness of the internal production it is not difficult to understand that the import trade as a whole in this group of iron and steel was able more or less to maintain itself, if not at the pre-war 1913-14 level, at least at the pre-war average figure of import quantities.

When an hitherto agricultural country embarks on industrialisation, the course of industrialisation has been supposed to take a standardised form beginning with light manufactures of which cotton spinning and weaving is generally supposed to come first. Such a development may be expected to express itself in the foreign trade of the country especially in the form of causing a shift, so far as imports are concerned, from light manufactures to the heavy means of producing them. Such a development seems to have taken place in Indian production and trade during the period. The study of the import trade of the country in cotton piecegoods has already been taken into account. The following are the figures of imports of cotton textile machinery.

Years.	Value in crores of Cotton Textile Machinery Imports.
1919-20	1.31 crores
1920-21	3.67 "
1921-22	7.64 "
1922-23	8.49 "
1923-24	5.60 "
1924-25	2.68 "
1925-26	2.35 "
1926-27	1.70 "
1927-28	1.97 "
1928-29	2.16 "
1929-30	2.10 "
1930-31	1.78 "

(source:- "Review of the Trade of India" 1919-20 to 1930-31).

Corroborating the contention made above is the following evidence. In their book, "Re-adjustment in Lancashire", the members of the Economics Research Section of Manchester University say "The partial collapse of the cotton industry naturally produced general disturbance in the pre-war interdependence of the industries of the area. The textile finishing industry found that a large part of its market had disappeared although its decline proved to be less marked than that in cotton manufacture. The domestic market for textile engineering almost completely disappeared.....exports of textile machinery appear however to have been fairly well maintained/

maintained up to 1929 for the average annual export between 1922 and 1929 was nearly 80% of the average for the years 1911 to 1913". (pp. 17 & 18).

In the light of the general contention of the preceding pages, this study of the import trade of India in merchandise may be brought to a close with a survey of the figures of the values of imports of three typical items of finished and heavy goods to illustrate the contention that, while in the post-war period cotton manufactures as an example of light manufactures showed weakness in the import trade, finished and heavy goods to a certain extent offset that by showing strength.

Table showing the pre-war and post-war averages of values of imports of (1) Machinery and Millwork, (2) Motor Vehicles, and (3) Instruments, Apparatus and Appliances.

	1.	2.	3.
Pre-war average	5.6 crores	1.00 crores	1.35 crores
Post-war average	21.64 "	4.00 "	3.91 "

(source:- "Review of the Trade of India" 1932 - 1933).

CONCLUSION.

An attempt has been made here, to study the Foreign Trade of India during the period 1900-1931. The Foreign Trade of a country is the sale and purchase of goods, by individuals in a country to and from those outside it. Particularly in the period following the Depression from 1929 onwards quotas, prohibitions, and state-trading have become prominent and narrowed the liberty of the individual in the matter of Foreign Trade in certain parts of the world. Signs, of the coming of these, were not wanting in the Post-war period that comes within the scope of this study but they did not get set in any serious measure to call for a modification of the definition of Foreign Trade as the trade between individuals in one country with those of the rest of the world.

The Foreign Trade of a country is a product of its economic individuality and personality, modified by the economic policy pursued in the country and in other countries. Of these ~~two~~ factors, conditioning the character of its foreign trade, easily the more important and fundamental one is the economic personality of the country. The factors going to the make-up of this personality may be said to consist of (1) the size of the country, (2) its natural resources, (3) the population, its aptitudes and tradition, (4) the economic limitations of the country, which express themselves in the inability, as ~~a matter of~~ an economic proposition, to produce certain class of goods./

of goods.

It can reasonably be expected that the economic policy pursued in a country is not a thing apart, but is almost dictated by its economic individuality and is a reflex of it. Normally, a country has not much choice in the matter and therefore it could be presumed to be implied and therefore included in its economic personality. Broadly and theoretically, the contention seems undeniable. Actually, from a survey of the economic policy pursued in many countries and the main economic features of those countries, there seems enough justification for regarding economic policy by itself and as a thing apart. That is not to say that the economic policy pursued in a country can be utterly uncorrelated to the economic personality of a country, for that simply cannot be. The history of the economic policy pursued in many countries of the world, during roughly the last hundred years, lends a great deal of weight to the contention that, while the economic individuality of a country will always be the main factor determining the lines of the economic policy pursued in it, it may not be exclusively so. It cannot be denied that political motives and ambitions, internal or external to the country, do influence the shaping of the economic policy of a country. The extreme economic nationalism in some countries, with its exaggerated flair for economic self-sufficiency and resorting freely to state interference with the natural course of production and trade is a case in point./

point. Economic Imperialism dictating to an overseas possession an economic policy devised to hold up its economic development so as to subserve the economic interests of the imperial country, is another. In the light of these examples it seems right to consider the economic policy pursued in a country separately. Such a policy cannot in any case, anywhere, be utterly unrelated to the economic personality of a country, On the other hand it may not be exclusively determined by it. In view of this, the early chapters of this study have been devoted to an attempt to a study of the economic policy pursued in India as the necessary background for the understanding of its Trade.

Looking back on World Foreign Trade from the period following the Industrial Revolution to the present time, one unmistakable trend revealed by it is the steady growth of the appreciation and popularity of the ideal of economic self-sufficiency on the part generally of all countries. It may be said that self-sufficiency, as understood and desired now, by the peoples of many countries, merely means, that, as the people of a country have in the main to live and be accommodated in work and wages in it, therefore, it would be right for them to aim at producing as many and as much of all the varieties of wealth they need for themselves, pursuing the ideal so long as there results a net increase of wealth from their efforts.

The growth of population in the countries of the world till now,/

till now, and the resultant intensity of the economic problem, has made the ideal of economic self-sufficiency express itself in an attempt to diversify economic activity and thus, hitherto agricultural countries have set themselves out to turn as many of their raw products as possible into manufactured goods themselves. At the start they could turn out only light manufactures. The reaction of this on countries till then exporting these light manufactures, has been that the loss of their export trade made them give up, to a certain extent, light manufactures in favour of heavier and more finished ones. An example of this has been referred to earlier in this study.

It has been stated that, in the present world order, the people of a country have to find themselves in work and wages in their own country. There is a strong pull compounded of many factors that makes people want to live in "Their own country". Partly also, not to complicate the problem of the people of a country having to find themselves in work and wages at home, the country prohibits or limits immigrants. The net result is that the people of a country have to look to their own country to be accommodated with a means of earning their living. The only method by which the growing population could thus be accommodated is by a diversification of economic activity in the country and thus countries seem naturally committed to the ideal of self-sufficiency as has been said in so far as that does not reduce the ~~natural~~ national wealth permanently.

Fundamental as this position is, the recognition of the essential validity of it has, in the past, been held back by certain circumstances. The main factor that has worked against an early recognition of this fundamental position was due to the fact that, in the years following the Industrial Revolution, the world came to consist of a number of industrialised and a number of un-industrialised countries. With manufactured goods generally commanding a higher price than raw material, among other things, some of the industrialised countries like Great Britain committed themselves more or less fully to specialisation in manufactures, hoping to be able always to find other countries who would take their manufactures and give in return the raw produce to feed their population and keep their industries going prosperously. Such countries, when they had committed themselves to specialisation in production, realised how vital trade was to them. But it takes two to trade and trade could thrive only between two countries economically different from each other. Besides a country that at one time is ready to export its raw produce and import manufactures may surely come to a time when it may desire to manufacture its raw material itself and thus find an occupation for its increasing population. Countries like Great Britain, aware of the possibility of a future envisaged above, tried to meet it by acquiring large overseas possessions among undeveloped areas and peoples and devise for them an economic policy whereby they would, if not for all time, at least for a long time be producers and exporters of/

of raw material and importers of all manufactured goods. All this, ~~however cleverly thought out and planned~~, did not reduce the instability or nervousness of countries that had chosen the path of industrial~~isation~~ Specialisation, for the necessity to diversify economic activity with growing population was insistent for the undeveloped countries and economic Imperialism could only delay, but could not permanently hold up, such diversification as it was a fundamental need and had to be met.

The need to diversify economic activity on the part of independent agricultural countries, was, in a severely competitive world, met by the rearing of industries under the shelter of Tariff walls.

How the necessity was met in a dependant country like India has been recounted at length in the study. It has been seen that, early in the 19th century, the attempt was made to get rid of Indian industries. When some Indian industries did rise the~~ir attempt was made to handicap their~~ progress was hampered by the commercial policy ~~progress under the plea of Free Trade~~ and by the denial generally of State aid to industries ~~of Laissez-faire~~.

Thus the diversification of economic activity in India was delayed. When, however, India was accorded the right to rear protective duties, the effectiveness of these was weakened in some cases by differential duties between British and non-British manufactured imports. Diversification of economic activity was thus delayed but could not be prevented and that proves the essential validity of the/

the contention that if the people of a country have to find themselves in work and wages at home then it is only by the diversification of economic activity that this can be achieved and even economic imperialism had to recognise this. The trend of world foreign trade following the Industrial Revolution and the inauguration of Free Trade by Great Britain shows unmistakably the increasing faith of the countries of the world in the ideal of self-sufficiency as expounded here. Before the rising tide of this thought "Free Trade" as expounded by Great Britain (in her history) has receded and after holding the field precariously, had to retire.

Under the stress of the thought that has moulded the national attitude to foreign trade, that trade has steadily changed its character. With the development of the means of transport and communications and the consequent ease with which scientific advance anywhere could be easily appropriated and assimilated elsewhere, the diversification of economic activity has gone on at a greater pace and has reacted on trade. If this development could go on freely and not be interfered with in any way and the countries of the world could diversify their economic activity in terms of their ability and of the natural resources of their country, the foreign trade of the world would really approximate to inter-regional trade, and an exchange of regional specialities, on a higher and, under these conditions, Free Trade would carry with it

no/

no serious threat to the economic life of any country and as such would have a greater chance of becoming a feature of World Trade.

There should result no serious diminution of world trade under these circumstances, seeing that human wants are very many and the economic limitations, in the way of a country being able to produce everything for herself and being absolutely self-sufficient, very definite.

Surveying Indian foreign trade during the period, certain features characteristic of it may be set down. With Great Britain ruling India and her industries having a large stake in the Indian market it is quite obvious that

desire a development of Indian

the ruling power would not allow radical or swift changes

industries such as would affect the trade generally and the import trade in particular

~~in the Indian economic structure~~. Under the circumstances one cannot expect such. In the measure of possible development permitted to her, India was able to show in her Foreign trade the effects of it. So far as the import trade in India during the period was concerned there was an unmistakable shift from imports of light manufactures to those of heavy and more finished ones. Cotton goods, sugar and Pig Iron are examples of light manufacture imports, and Machinery and Millwork, Motor vehicles, Hardware, and Iron and Steel manufactures are of heavy and finished goods. The following table gives the annual average imports during the following periods.

	Annual Average 1900-1905.	Annual Average 1909-10 to 1913-14.	Annual Average 1918-1931.
Cotton piece goods.......	2,124 Million yards.	2,632 Million yards.	1,352 Million yards.
Sugar.........	270,000 tons.	633,500 tons.	443,000 tons.
Pig Iron......	19,500 tons.	12,881 tons.	10,553 tons.
Machinery and Millwork....	3.08 crores.	5.61 crores.	21.64 crores.
Motor vehicles	-	1.00 crores.	4.79 crores.
Hardware	1.9 crores.	3.17 crores.	5.7 crores.
Iron & Steel..	379,403 tons.	808,000 tons.	661,000 tons.

(Averages from "The Review of the Trade of India").

The figures make out the shift in the import trade from light manufacture imports to heavy and more finished ones fairly clear. Industrial development in India was pronounced in the protectionist period but that does not warrant the conclusion that Free Trade is inimical to industrial development. If Industrial development in India was delayed in the pre-war period it was partly due to the ~~combination of Free Trade and~~ the Laissez faire policy which was ~~devised~~ adopted for India and which regulated her commercial policy and the attitude of the State to Industrial development